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Amey UK plc

Annual Report and Financial Statements 2020

Personal pride in our public service

EMPOWER | ENGAGE | EXCEL

Contents

Company Information

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'Amey' or 'Group' is defined as being Amey UK plc group of companies.

Chief Executive Officer's Summary

At the beginning of the year I set out plans to stabilise and strengthen Amey, re-focus on delivering the services our clients and communities rely on and fundamentally rethink the way we engage our workforce to drive the business forward and deliver better outcomes for our customers.

At that time, it was unthinkable to imagine the unprecedented challenges that the COVID-19 pandemic would bring. The pandemic has been a humbling reminder of what we stand for as a business: *Personal Pride in our Public Service*. It underlined the importance of the role we play in delivering critical front-line services that support the national infrastructure of the UK. Our employees rose brilliantly to the challenges we faced. We reacted decisively and early on established three objectives to guide our response: protecting our employees and the communities we serve; continuing to deliver for our clients and maintaining critical services that the country relies on; and supporting our suppliers. We continue to stand by these through the pandemic because the decisions we make today will have an impact on the years to come as the effects of the pandemic continue.

Last year we announced our intention to dispose of the Utilities and Environmental Services businesses. Good progress has been made on the disposal of the waste collection and utilities businesses and these assets meet the criteria to be classified as held for sale at the balance sheet date. Due to the COVID-19 pandemic and construction delays, the Waste Treatment business has not been sold and is no longer classified as held for sale. However, whilst we continue to invest in completing the construction and commissioning of the Isle of Wight plant and investing in improving operations, the Business Unit still remains non-core.

The core continuing Business Units, comprising Transport Infrastructure, Secure Infrastructure and Consulting have all performed well. In Secure Infrastructure, we secured Project Miter, a £170 million contract for the provision of Defence Plant in joint venture with J Briggs equipment UK, and several other notable awards including TFM services for Highways England and extensions to our Defence estate contracts with an additional value of £92 million. In Transport Infrastructure, we secured a flagship contract with Highways England worth £181 million and we continued to grow our Consulting business with £161 million of new work secured including £45 million commission as design partner for the A66 TransPennine Upgrade.

In the year to 31 December 2020 Group revenue on continuing activities was £2.14 billion (2019: £2.28 billion) a reduction of 6%. Strong revenue growth in Secure Infrastructure mainly in the Next Generation Estates Contracts in defence was offset in Transport Infrastructure by the natural conclusion of Rail contracts acquired from Carillion and completion of contracts in Power and Metering. The operating loss on continuing activities before exceptional items was £29.4 million (2019: loss of £21.4 million) having been materially impacted by the additional costs of COVID-19. Notwithstanding COVID-19, the Group has reported robust cash flow generation from operating activities for the year of £57.9 million inflow (2019: £171.6 million outflow) whilst continuing to adhere to the highest tier of the Government Payment Practice code by paying 95% of invoices within 60 days. The Group has also benefited from the additional equity £112 million provided by its parent company on 31 December 2020 (in addition to the £169 million provided earlier in the year) and, as a consequence, ended the year with Net Assets of £82.8 million (2019: Net Liabilities of £55.0 million).

When we signed our accounts for last year in June 2020, just after the first lockdown, we set out in those accounts the potential impact on earnings for 2020 from COVID-19. The Group impact in 2020 has been closer to our severe outturn scenarios, principally due to the effect on trading in our non-core Business Units, Waste Treatment and Utilities, in Rail core business and the train operating JV with Keolis in Wales.

We have also provided for future losses in respect of our Milton Keynes treatment facility and the additional construction costs for the Isle of Wight plant, now expected to be completed in the second half of 2021. In addition, after reaching an agreement with Sheffield Council regarding the payment mechanism in our PFI contract with them, we have now provided for expected future losses on that contract.

The impact of COVID-19 and the future loss provisions overshadowed a strong trading performance in the underlying core business. Recognising this, our shareholder (Ferrovial) agreed to convert £112 million of debt into equity prior to the year-end, ensuring that the Net Assets of the Group are in a healthy position.

In line with our 'Freedom to Perform' strategy, we completed further steps to stabilise and strengthen the business. Since the start of the year Amey has:

- Restructured the business to create 3 client facing core Business Units - consolidating expertise, delivering strong operational performance, and increasing gross margin return
- Strengthened the management team - recruiting top talent to ensure Amey remains an industry leader
- Put measures in place to improve accountability across the business – putting the focus firmly on performance improvement and value creation
- Cleared the business of the most part of legacy issues and strengthened and improved relationships with existing and prospective clients
- Embedded a targeted cost and efficiency programme in respect of travel, overtime, absence, subsistence and temporary staff ('TOAST') which saved £14 million over the course of FY20. This programme has been expanded for FY21 with similarly ambitious targets
- Created a leaner and more focused corporate structure, enabling us to make decisions more quickly, and, at the operational level, created deeper customer relationships. In doing this we have delivered £15.9 million annualised savings and £9.8 million in-year savings

The impact of COVID-19

Amey's 15,300 employees have been working hard in these unprecedented times across many areas of critical national infrastructure to support customers and ensure key services are maintained; from keeping roads and railways moving, cleaning and maintaining schools, removing and disposing of domestic waste and managing the prison and defence estate across the breadth of the UK. We are delighted that these critical roles have received new-found recognition from the public during the crisis.

We have worked closely in partnership with the Cabinet Office and our clients, both in the management of the crisis – ensuring ongoing delivery of essential services through appropriate safe working, providing PPE and adapting working practices, and in supporting economic recovery by recognising our role in helping to rebuild over the medium to long term through accelerating delivery programmes (in defence and highways).

In doing so, we have safeguarded jobs and made only limited use of the Coronavirus Job Retention Scheme (furlough) with less than 5% of the workforce (755 employees) participating in the scheme at the peak of the pandemic. At the end of the year, we had only seven employees on furlough.

But the pandemic's impacts on Amey have extended far beyond the services we provide to our customers. In addition to our key role delivering essential services to keep the UK moving, we have been acutely focused on the impact on our employees, supply chain and the communities we operate in.

Throughout the pandemic we've maintained pay uplifts for our front-line employees and in April became a real living wage employer. Alongside receiving the real living wage, front-line employees have also gained access to improved benefits including enhanced sick pay, holiday allowance, life assurance, pensions, and lifestyle options. Throughout 2020 we have also increased our focus and activity around wellbeing to help our employees navigate this difficult period.

For Amey, these changes represent a significant investment – but we know that by showing our people that they matter, they'll be engaged, productive and healthier. That motivation delivers the best results for our clients and supports the long-term growth and profitability of our business.

Cultural change

We are committed to creating a fully engaged workforce, and we launched *Freedom to Perform* - a business-wide cultural change programme to embed new culture and increase employee engagement.

My fellow Executive Board members and I have enjoyed meeting (in most cases virtually) our colleagues around the UK and listening to their views about how to define strategies to remove barriers and drive alignment towards a target culture that makes Amey an even better place to work. We have enjoyed some early successes through increased employee recognition and engagement programmes including reintroducing Christmas hampers, relaunching our employee representation Changemaker network, a Directors' Hotline (providing direct access from any employee to Board members) and launching our new Regional Hub model for supporting local communication and engagement across Business Units.

Chief Executive Officer's Summary

Working with our suppliers and Social Value

Amey spent £1.1 billion with its supply chain in 2020. We fully understand the pressures many of our suppliers have experienced during these unprecedented times and particularly the importance of cash flow and prompt payment as businesses have sought to adapt to the pandemic. We have achieved > 95% of suppliers paid in 60 days throughout the year and alongside this, shared resources with SMEs to help navigate the impacts of the pandemic.

We've seen real progress, with the publication of the Outsourcing Playbook and a new Social Value Framework from government, requiring that social value be given greater focus, and explicitly evaluated in central government procurements. We are hopeful that this forward-thinking approach will serve to benefit people across the entire value chain.

In parallel, we've launched our own Social Value Supply Chain Charter – asking suppliers to consider what social value they can deliver, and how they will invest in their people. We have put specific emphasis on involvement with SMEs in tender and supply chain solutions. Recently, Amey has successfully engaged start-up providers such as Ethical Stationery, providing critical product support such as PPE, to the Amey business through COVID-19.

We have expanded our work with Social Enterprises, increasing spending £4.7 million in 2020 with the VCSE (voluntary, community and social enterprise) sector, and are targeting spending £40 million by 2023. This will provide increased revenue to businesses that are engaged in transformational work in their local communities.

We will continue to develop our partnerships, particularly our new partnership with the Social Mobility Pledge, but also with existing suppliers such as Paint360, Recycling Lives, Ethical Stationery CIC and Britain's Bravest Manufacturing Company. These partnerships go beyond basic contracting by looking to use the size and scale of Amey to support their objectives and grow their businesses.

Community support

At the onset of the pandemic, we launched a plan to support communities during the pandemic, including supporting care homes with the provision of 90,000 items of PPE in residences put forward by our employees and charitable donations over £270k funding for Trussell Trust foodbanks. We also used our assets and depots to support foodbanks, co-ordinating and supporting food deliveries to vulnerable people.

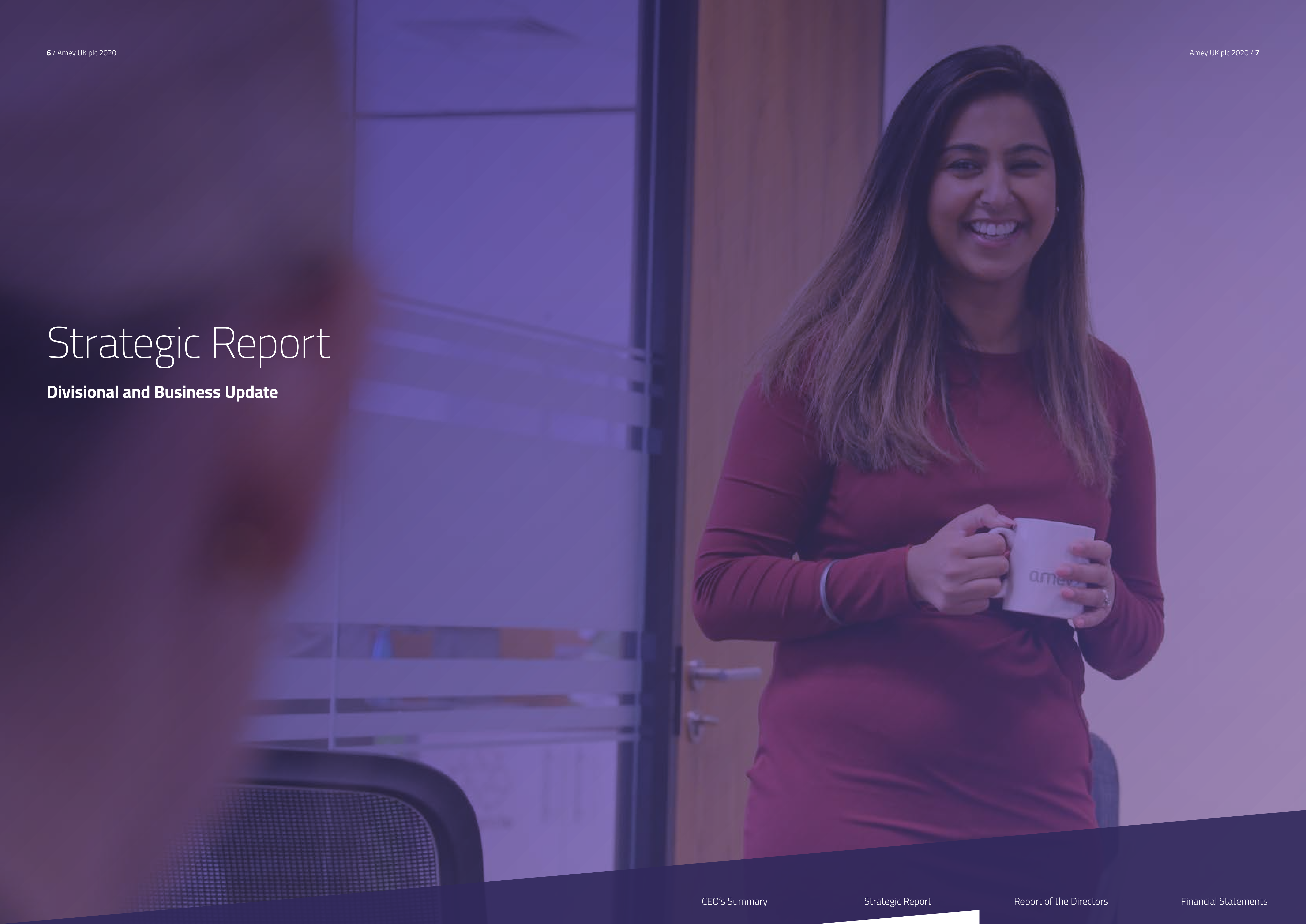
Our employees picked Cancer Research UK as our Employee Chosen Charity for the next two years, winning the votes of over 800 employees. The initiative was launched in February and we have set ourselves the target of raising £200,000 over the two years, as well as raising awareness of cancer across the Group and supporting employee volunteering.

Looking forward

Despite the disruptions of COVID-19 we have continued to improve efficiency, capability and service delivery. We have a strong order book, operating in markets critical to the bounce-back of the economy as the recovery from the pandemic continues. We see an improving trajectory in 2021 and beyond and with this, confidence that we can create long-term value for both customers and shareholders. As reported last year, Grupo Ferrovial, our parent company, announced its intention to divest its Services portfolio including Amey, but in the intervening time continues to be a supportive shareholder.

We have a clear strategy to execute, based on a stable and strengthened business, and will continue to embed a culture of empowerment, engagement and excellence.

Amanda Fisher
Chief Executive Officer, Amey
28 May 2021



Strategic Report

Divisional and Business Update

Consulting

Amey Consulting is the UK's market leader in the application of data science and analytics in the infrastructure sector – working in partnership with major infrastructure clients such as Network Rail and Highways England to maximise their data to drive value and optimise network performance.

With over 1,900 consultants, engineers and designers, Amey Consulting is one of the UK's leading engineering consultancies, with a strong reputation for asset management and data led, sustainable infrastructure designs.

Our Consulting and Rail Business Unit has gone through substantial change following the reorganisation of Amey in 2020. Consulting is now a standalone Business Unit, whilst our Rail Operations joined with highways in a new Business Unit focusing on the growing Transport Infrastructure sector. This report reflects the work of the Business Unit across the year.

Most importantly, we continued to make looking after our employees our number one priority. Our focus on health, safety and wellbeing was recognised in our winning our 13th consecutive Gold Award and our third Presidents award. We were also awarded the prestigious Health and Safety Initiative of the Year Award for the 'ThinkSafe' project. The project saw us develop three innovative safety toolkits to gather non-traditional safety metrics, to drive our 'Target Zero' ambitions. Our 'All Accident Injury Rate' (including employees and suppliers) improved by 32% from 0.53 in 2019 to 0.36 in 2020. For the third consecutive year we have had no Lost Time Injuries therefore our injury severity rate remains at zero.

We continued our strong record on winning work. Consulting secured new business worth £161 million across 231 opportunities – a win rate of 77%, significantly above the average in our market.

The division's revenues, including share of joint venture revenues, totalled £119.9 million in 2020 (2019: £152.8 million). Operating profits, including share of joint venture profit after tax, were improved to £14.2 million (2019: £8.5 million), before exceptional items. In 2020, the division recorded an exceptional credit of £2.2 million in respect of the sale of its Australian operations (2019: £nil). Operating profits after exceptional items were £16.3 million (2019: £8.5 million).

Amey Consulting is a key partner in the transformation of transport infrastructure across the Pennines. We won the £45 million bid to be Highways England's Design Partner on the A66 Northern TransPennine upgrade, alongside a £22 million opportunity with Network Rail on Sections 4, 5 and 6 of the TransPennine Route Upgrade.

Other work won with Highways England included a place on the Specialist and Technical Advisory Services (SPaTS2) Framework worth £3 million, a £2.6 million contract to provide Data Science Advisory Services and a £1.7 million design opportunity on the M27 Port Infrastructure. We also won an £8.6 million contract to provide Highways and Transport Professional Services to Swindon Borough Council. Our work with Traffic Scotland continues with a £7.5 million contract extension to provide Operations and Infrastructure Services.

Other notable contract wins included: a £6.4 million contract extension on the Thames Tideway Tunnel Systems Integration and two contracts supporting Network Rail on Operational Performance Improvements and their Intelligent Infrastructure Programme, worth £2.5 million and £1 million respectively. We have also been chosen by Swansea City Council to provide Engineering Design Services for the Mumbles Coastal Protection Project, valued at £0.6 million.

We reduced our overseas footprint with the closure of our Australian operation and a phased withdrawal from the US, based on current market trading conditions and the economy.

We continue to support the development of new employees to our industries. This year we welcomed over 210 new starters and enhanced the pay of our apprentice population. Our Railway Engineering Degree Apprenticeship scheme, launched in 2020 in partnership with Sheffield Hallam University, won the Retention through Inclusion, Service and Equality (RISE) Equality, Diversity and Inclusion Award. We partnered with the Graduate Engineering Engagement Programme (GEEP) for a fifth successive year to encourage graduates from diverse backgrounds into engineering careers.

We are planning to continue this work with the launch of three additional Degree Apprentice programmes in 2021. Our work to develop our engineering workforce was rewarded by topping the ICE pass list in Scotland and three employees achieved the highest status and were recognised as 'Outstanding Candidates'.

During 2020 we grew our Welsh Consulting business to over 100 employees and appointed a new Country Director to lead our continued expansion in Wales. We also reorganised our Advisory and Analytics (A&A) business and recruited Offering and Market Directors to drive growth.

In order to support our ongoing strategy of putting Consulting at the heart of Amey, we retained strategy consultants OC&C to undertake a strategy review and a project focused on equity thesis. The output supports the current incremental strategy and recommended driving value through deeper market penetration of the Advisory and Analytics business, primarily across our Transport Infrastructure client base.

Next steps for 2021 involve detailed action planning and alignment of our strategic intent with our external positioning narrative. In addition, we will focus on the other three key strands of the strategy:

- Talent management – looking at the attraction, development retention and recognition
- Key Account Management – re-focusing our efforts on our client management and ensuring alignment across the business
- Services and Productisation – the expansion of new services to enhance our existing offerings and the development of our Advisory and Analytics platforms to meet the client data requirements.

These plans are aimed at growth in the transport infrastructure market, which provides opportunities in core engineering design and in our growing Advisory and Analytics business.

Transport Infrastructure

Transport Infrastructure supports our customers to enable safer and more reliable road and rail journeys and keep our streets and green spaces clean.

Our Transport Infrastructure teams worked throughout the COVID-19 pandemic and quickly adjusted to new ways of operating as key workers. We worked with WISH, the Highways Sector Council and the Construction Leadership Council to define industry guidelines and quickly adapt our working practices.

We strengthened our leadership team with the appointment of Peter Anderson (from July) as new Managing Director. In December, we welcomed our new human resources (HR) Director, Karen Hopley.

The division's revenues, including share of joint venture revenues, totalled £812.3 million in 2020 (2019: £948.0 million). Operating losses, including share of joint venture profit after tax, were £38.4 million (2019: £2.3 million profit), before exceptional items. In 2020, the division recorded net exceptional costs of £18.5 million in respect of impairment of investments made in the KeolisAmey joint venture for the Wales and Borders train operating franchise (£18.1 million) and a provision for future contract losses on the Sheffield Highways PFI sub-contract (£10.0 million) offset by additional income and reduced costs arising on the final exit from the Birmingham contract in March 2020 (£9.7 million). An exceptional credit in 2019 of £9.8 million arose from a reduction to the provision for exiting the Birmingham contract (£22.3 million) offset by costs arising from the agreement of a contract claim against Amey and another Ferrovial Group company (£8.5 million) and from impairments of non-current assets of £4.0 million in the rail business. Operating losses after exceptional items were £56.9 million (2019: £12.1 million profit).

A strong work-winning year saw us win 21 highways bids, totalling £859.4 million. Key bids won included: Highways England Area 12 Maintenance and Response (£180 million); Specialist Bridges Inspection and Maintenance contract for Avonmouth and Severn Bridges; A533 (AmeySRM); Street lighting upgrades for Wakefield (£18 million) and Bradford Councils (£45 million) and maintenance for Inverclyde Council; South West Trunk Roads Network Management (Transport Scotland).

In Rail, KeolisAmey Docklands won a four-year extension until April 2025 to continue operating the Docklands Light Railway on behalf of Transport for London. The Core Valley Line network was transferred from Network Rail to Transport for Wales in March 2020. Transport for Wales lease the assets to AmeyKeolis as the Infrastructure Manager for the network – the first Infrastructure Manager in heavy rail apart from Network Rail. Amey was also contracted to build Taff's Well depot, which will include a new contact centre for the Core Valley Line.

Additionally, two contract extensions were secured on the Central Panel framework on Midland Main Line, and the electrification and power renewals framework for the North West and Central.

We introduced greater rigour into key processes such as work winning, risk management, and our new bidding approvals process will begin in 2021. We demobilised our highways contracts with Transport Scotland for the Forth Road Bridge and South East Trunk Roads Unit.

Our record on safety has won RoSPA awards – the President's Award for our rail business's 11 consecutive Gold Awards, and a Gold Award for highways.

Our safety statistics reflect substantial progress in the number of Lost Time Incidents (LTIs) in Rail and our focus on Highways continues:

- Highways – no reduction in RIDDORs or LTIs
- Rail – 13% reduction on RIDDOR rate and 56% reduction on LTI rate.

We drove forward significant business improvements, defining our rail strategy for the next five years and refreshing our highways strategy. We carried out a deep-dive review of the Sheffield contract to refresh the cost-to-complete model and are continuing to work with our clients to stabilise a few remaining challenging contracts.

Financial performance for 2020 traded in line with forecast. In Rail, we identified and dealt with a number of balance sheet issues and resolved legacy contracts.

Since the year end, we have transferred Power Major Projects from our Utilities Business Unit. The Power Major Projects team has successfully delivered engineering and construction projects for National Grid and SSE. Power Major Projects and Rail operate via a similar, project-based approach and having them under the same Business Unit provides us with an exciting area of potential growth, placing us in an excellent position for upcoming power and traction supplies opportunities for HS2.

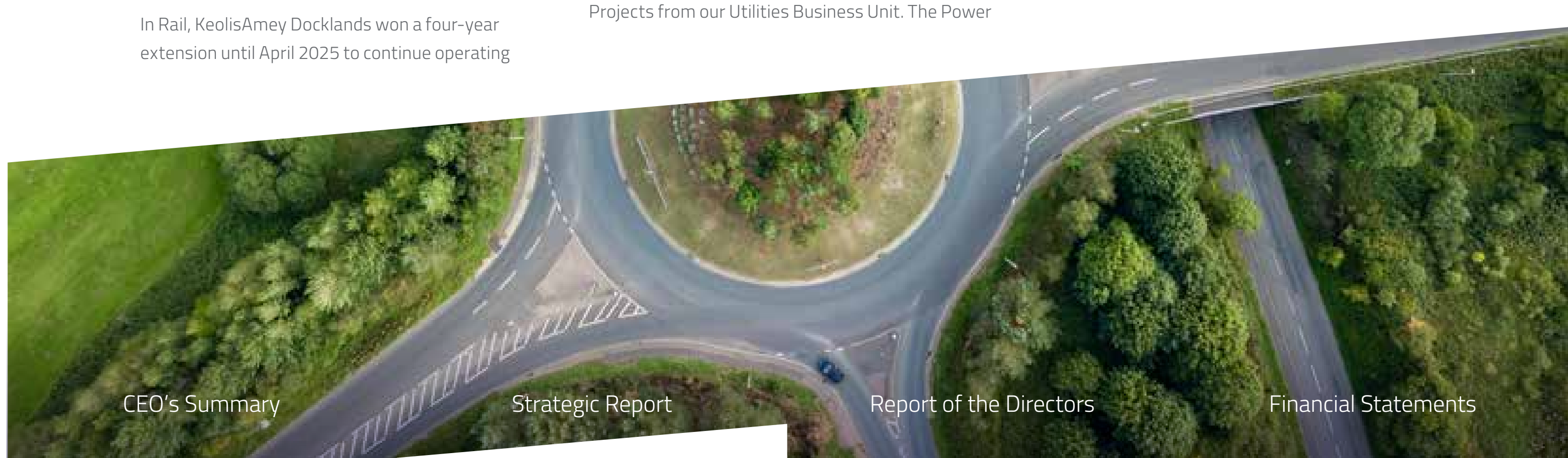
Our commitment to increase diversity in our industries was underlined when we were one of the first companies to sign up to the rail industry's Equality, Diversity and Inclusion Charter. Launched by the Railway Industry Association and Women in Rail, the Charter pledges to champion equality, diversity and inclusion in the UK railway industry.

We continue to play a leading role on industry bodies shaping the future of the highways sector. Amey is now represented on the World Road Association's UK National Committee, the Chartered Institute for Highways and Transport Council and the Rail Industry Association.

Our Kent and Staffordshire Live Labs received a boost in their work to promote innovative solutions and products in the highways industry, when they were awarded £4 million ADEPT funding. We received further funding for the development of our Impact Protection Vehicle, which protects our employees from harm when installing traffic management on the live carriageway.

Our priorities for 2021 are: to build on the reliable financial performance we achieved in 2020 and continue delivering against our predicted financial targets, to further strengthen our balance sheet, to transform our remaining challenging contracts to revised operating models, to deliver our targeted growth plan, and development and training to improve the interrelationship between our financial, commercial and operational functions.

We will also be embedding the principles of Freedom to Perform, reviewing and optimising our processes and ways of working. We have established a Freedom to Perform working group, identified priority areas to work on which we will deliver through 2021.



Secure Infrastructure

Amey Secure Infrastructure is the leading organisation in Facilities and Estate Management. We look after thousands of assets on behalf of the client in secure environments. We transform the way our clients live, work and travel. We ensure clients optimise their assets through data analytics and intelligent management to maximise performance, minimise cost and manage risk.

Our Secure Infrastructure Business Unit performed strongly during 2020, including delivery of more than £465 million of additional works programmes for our Defence clients. We outperformed our budget and forecast expectations, closing with revenues of over £1.1 billion, generating over £100 million of cash and achieving an overall margin above 5%. Our closing order book was £2.6 billion and our current qualified pipeline stands at over £9.0 billion.

All of this was achieved in an exceptionally challenging year that saw the impact of COVID-19 on our public service-focused business.

The business also went through a change of Managing Director with the appointment of Craig McGilvray who has brought a fresh approach to strategy and delivery.

The division's revenues, including share of joint venture revenues, totalled £1,137.9 million in 2020 (2019: £1,020.9 million). Operating profits, including share of joint venture profit after tax, were £59.5 million (2019: £47.3 million profit).

Alongside our strong financial results, we improved our performance on safety. Our employee accident rate is down by 34% from December 2019, and by 67% since the start of 2018. Our approach to COVID-safe working has gained the confidence of clients, visiting regulators and authorities.

We provided continuity and safety for our clients, keeping critical public services operational during the pandemic. We fast-tracked Service Family Accommodation preparations, provided extra cell blocks to allow social distancing in prisons, and ramped up cleaning regimes in schools and public buildings across the UK.

For our future growth, we developed a robust pipeline through our enhanced work winning function, which has made our business development and bidding more strategic.

In Defence, we won a £170 million share of a Joint Venture with Briggs Equipment UK on the Miter contract which involves the deployment and maintenance of key equipment used by the UK's Armed Forces around the world as well as supporting military personnel in how to use it. The NGEC Regional Prime contracts were extended in late 2019 and early 2020 and have so far generated revenues of over £180 million for core service and £320 million for additional works and services. The NGEC National Housing Prime contract was also extended in late 2019 and has so far generated revenues of over £130 million for core service and £115 million for additional works and services. In addition, it is expected that the fiscal stimulus programme within Defence Housing will generate around £100 million of additional works and services over the next two years.

We secured a £168 million extension to our contract with the Ministry of Justice (MOJ) and a £13 million extension to our Total Facilities Management contract with Kent County Council. Around £5 million of COVID-19 related works was also delivered for the MOJ (temporary accommodation), alongside approximately £3 million of fiscal stimulus work.

We are also supporting Highways England with Total Facilities Management services worth £35 million, having welcomed our new colleagues in November 2020. Mobilisation of this contract was a resounding success in spite of COVID restrictions, with exceptionally positive client feedback.

Strong performance continued on our existing defence contracts, our joint ventures with ALC and GEOAmey, our Facilities Management (FM) and Schools contracts. We stabilised performance on our MOJ Prisons contract and are working to secure a further extension to 2023. We achieved a smooth exit on several of our FM contracts with the London Boroughs.

We are on track to deliver our challenging financial performance commitments for 2021, by transforming our structure to provide maximum efficiency and effectiveness. In the next five years, we will see changes across the business both in terms of its shape and our strategic focus. We will pursue opportunities in new and existing markets – including local authority, justice, higher education, 'blue light' services and defence overseas prime contracts. We will bring data and technology into the core of our business and give our people the training and tools they need to adopt this change.

Our priorities for 2021 are: to exceed budget expectations for 2020, to continue transforming the business in line with our new strategic direction and broaden business development for our FM work.

We are refreshing our business proposition to allow us to meet our customers' needs, particularly in social value. This is now at the core of our work winning activities and plays a major part in our service delivery. Our new social value plan has a dedicated team to drive it forward, with measurable targets at operational level.

As part of this, we will launch initiatives during 2021 that will have a lasting impact on communities. These will include partnerships with social enterprise, improvements to our environmental footprint and more opportunities for our supply chain.

We will grow our professional services to broaden the services we offer, incorporating key competencies from around the wider Amey Group.

We have developed our business strategy by consulting our employees and listening to feedback from the wider business. From 2021 onwards, we will put our people at the forefront of our business, celebrating and rewarding their commitment. We will embed our behavioural and cultural transformation programme, supported through improved HR capability, academic and leadership development partnerships.

During 2020 our teams supported our clients and the public in response to the pandemic.

Amey worked with the MOJ to expand prisons by installing 500 temporary, single occupancy cells in the battle to reduce the spread of COVID-19 within the prison estate, as part of the Government's to action to protect the public during the pandemic. Across our school's contracts we provided ongoing service delivery - allowing clients to keep schools open, clean, safe and compliant to support key workers with vital childcare. The Defence Infrastructure Organisation (DIO), Amey, and its supply chain partners work around the clock to ensure that more than 130 Service families stationed abroad are returned safely and quickly back to the UK in the wake of the coronavirus pandemic.

We continued supporting Service families - when customer service centres closed, our advisors worked remotely to resolve issues and complaints for families in defence accommodation. We reinstated storehouses and buildings at MOD Bicester and RAF Cosford, to provide additional storage facilities required by the Government, within days of the work being requested.

Our employees provided exceptional support, above and beyond the 'day job'. Schools' catering teams cooked for care home residents and delivered food to vulnerable people. We provided extra security when prison staff were off sick and delivered vital PPE to the NHS.

Utilities

We are responsible for the construction and maintenance of key infrastructure in UK power and water sectors. We have over 800 key workers delivering services across our Utilities contracts, maintaining essential services at this critical time.

For our Utilities Business Unit, 2020 was a year when we put some of our most important contracts on a more stable footing. We introduced a new management team under Craig McGilvray and returned to profitability.

The Business Unit won some significant work with new and existing clients. These included a £100 million, three-year extension of our contract with Yorkshire Water under the Wastewater Services Agreement. We retained our position providing Vegetation Management services for client SP Energy Network in the Dee Valley, Oswestry and Mid Wales regions. We were recently awarded a contract with Costain to support them with the delivery of capital schemes for United Utilities.

We took the decision to exit the smart metering business. We have achieved this through a combination of asset disposals and contract closure, which will be complete during 2021.

The division's continuing revenues on Power Major Projects and Metering totalled £149.8 million in 2020 (2019: £207.0 million). Operating losses on continuing activities were reduced to £15.4 million (2019: £27.5 million loss). The division also made exceptional provision for future losses for certain contracts of £3.3 million in 2020 (2019: £nil). Revenues on the parts of the business that are held for sale (Water and Power Distribution) and thus classed as discontinued in the financial statements totalled £201.0 million (2019: £186.8 million). The discontinued business had an operating profit of £1.4 million (2019: £5.8 million loss before exceptional cost for impairment of goodwill of £92.0 million. Total operating loss for 2019 was £97.8 million).

Our financial performance has significantly improved, and we entered the last quarter of the year in a much stronger position. Ongoing business has delivered better financial results through the year. We are delivering in line with expectations, having divested ourselves of lower-performing contracts during 2020. For the first time in two years we have made a profit (after overheads) in two consecutive months.

We have driven a reduction in amounts recoverable on contracts, with teams focusing on crystallising cash. We are now delivering more consistently against our cashflow commitments, and we are on target to meet budget expectations in profitability and cash.

We have enhanced our relationship with existing clients – rebuilding our relationship with United Utilities, with whom we now have a secure contract for capital work worth an annual £15 million. Our Stafford team significantly improved our performance across the Severn Trent contract, to the client's satisfaction.

Throughout the year a number of historical claims have been settled and we have also handed back several contracts – resulting in a significant reduction to our business risk. This work has enabled us to refocus our offer within the utilities sector.

To reflect these changes, we have adjusted our structure and brought the water consulting team in-house, realigning their legacy of innovation and award-winning safety culture to the Utilities business. Power Major Projects moved to our Transport Infrastructure Business Unit.

We continued to encourage innovation from all sources: using the best new technologies such as virtual and augmented reality – for safety training via an app; harnessing the innovative ideas of our employees, 35 of whom have submitted proposals to our Springboard since its launch in July 2020, and our 2020 Challenge which saw 450 trench grids (used to cover excavated areas resulting from utility works) rolled out to our contracts. We have also drawn on the expertise of our colleagues in Consulting, who have patented technology to tackle sewer flooding.

We have developed a new Water Strategy to take the business forward, and to set a clear identity and market position. Central to this is our people, and the pride we demonstrate when carrying out our essential works - the strength of our teams is our foundation for growth. The strategy is being developed around a 'fix and build' approach, where we continue to stabilise our contracts and client relationships and grow the business in areas we really excel in.

Following a strategic review of the business's core services several of our Energy Metering contracts have been progressively exited. To date, we have taken the opportunity to exit both the EDF and National Grid contracts. The acquisition of NPower by EON has brought about changes in this area and we have agreed to the early termination of the contract. Following negotiation, we have agreed to sell our I&C and UUMO contracts to EON. The Scottish Power Smart Metering contract is due to end in June 2021 with a 2 plus 2 arrangement thereafter. Scottish Power have indicated that they will not seek to enforce the contract beyond June 2021.

Amey's sale of the Water and Power Distribution businesses is ongoing and a shortlist of bidders have been taken through to the second-round offer stage (Binding Offer).

Waste Treatment

Amey's Waste Treatment Business Unit operates the best technology available across our four strategic sites in North Yorkshire, Milton Keynes, Cambridgeshire and the Isle of Wight.

This includes everything from mechanical and biological treatment, traditional mass-burn energy from waste and material recycling technologies to in-vessel composting, advanced thermal treatment, innovative small-scale energy from waste and anaerobic digestion.

2020 was the year when waste treatment services were recognised as a critical public service. Our waste services employees have always been on the front line, one of the fundamental services protecting human health and the environment. However, the pandemic and lockdowns have demonstrated just how pivotal these services are in a modern society.

The division's revenues for 2020, including share of joint ventures revenues totalled £84.1 million (2019: £93.2 million). Operating losses, including share of joint venture profit or loss after tax, before exceptional items were £41.0 million (2019: £33.0 million loss). Exceptional costs of £42.8 million arose in the year on provisions for contract loss provisions on waste treatment contracts for Milton Keynes (£39.8 million) and Isle of Wight (£9.8 million), impairments of other fixed assets (£1.8 million) offset by a gain £8.6 million following the successful conclusion of a legal claim by a supplier. This claim had been provided for in 2019 in addition to the exceptional charge of £27.5 million arising on impairment of non-current assets in that year. Overall operating losses were £83.8 million (2019: £69.1 million).

Our Waste Treatment Business Unit's entire team stepped up to deal with the challenges of COVID-19 with no significant impact on service delivery. One outstanding example was our Isle of Wight waste contract, where our employees delivered with no interruptions throughout the year, winning support from island residents in letters and social media.

Waste and recycling education went online in response to the COVID-19 restrictions. We made our resources freely available to all at www.amey.co.uk/education. These included a range of activities for use by schools (and home-schooling families), such as making a recycled bottle birdfeeder and zero waste lunch challenge. Much more is planned for our 'virtual visitor centres' in 2021 including online games, pledge sites and other digital tools which will enable even more young people, residents and stakeholders to become involved in tackling the waste and climate change challenge.

Our people have demonstrated their personal pride in public service, continuing to deliver during difficult circumstances. Colleagues who went above and beyond the call of duty included Ben Winterbone, who supported Cambridgeshire NHS workers in the correct fitting of face masks, and Isle of Wight collections team members Alex Wright and Kieran Hartnell, who responded to a cry for help and saved the life of an elderly resident who fell over in her home.

Our workforce has embraced the change in our ways of working as we introduce 'Freedom to Perform' at all levels of the Business Unit, empowering people to deliver excellent levels of performance.

We achieved more than one million person hours free of RIDDOR reportable injury in October 2020 and have not had a single RIDDOR reportable injury during 2020. This demonstrates the entire team's dedication to keeping themselves and each other safe and healthy, an extraordinary achievement by everyone in this most challenging year. It has been managed thanks to relentless commitment from each and every team member to implement our Zero Code.

We also reduced our lost time injury frequency rate by 68% during the year. The total number of days lost to injury went down from 131 in 2019 to 10 by the end of 2020.

On the Isle of Wight, construction of our energy from waste plant has progressed smoothly after an interruption when the construction site shut down during the first lockdown (March to June). Commissioning of the plant started in October, with full operations planned for the second half of 2021.

Colleagues at our Waterbeach treatment plant, Fran Hawes and Andy Wilding, showcased our work and that of the waste treatment industry on a Channel 5* programme that aired in November 2020, highlighting the hazards presented by batteries. Our team has championed this issue industry-wide in 2020, hosting an online seminar and supporting an industry-wide campaign which launched in October. We will continue our campaigning efforts in 2021.

Our Milton Keynes Advanced Thermal Treatment (ATT) plant passed its resilience test in January 2020 and moved into full operation. The plant achieved Renewable Obligation Credits accreditation in August. This accreditation demonstrated the renewable credentials of the gasification technology used, one of the key reasons for the client choosing this approach. Plant availability improved with ATT line 2 hitting 85% availability and the facility passed its BSI quality, environmental and safety audits with flying colours.

Our CEO, Amanda Fisher, visited Milton Keynes to mark National Recycling Week and said: "Every single day, our teams are helping to recycle thousands of tonnes of valuable materials, and recycling is something every one of us can do to help. I'd like to say thank you to our teams who are helping to make recycling happen."

We improved pay on all contracts in 2020 by implementing the Real Living Wage.

We are working with PPE4Life and Teesside University to establish ways of recycling PPE and workwear back into the building blocks of polyester. It can then be fed back into supply chains to make new workwear. We are also collaborating with Business in the Community's circular workwear project to encourage the sector to address this important and highly visible issue.

Waste Collections

Last year we announced our intention to dispose of Environmental Services waste collections businesses.

Good progress has been made on this disposal since the year end, with the majority of the contracts in this area transferred to Urbaser including: Selby; Eden; Northamptonshire HWRCs; and Bedfordshire HWRCs at the end of February and Gloucester transferring at the end of March. We also negotiated an early exit from our contract in Ealing. Solihull waste collections and HWRC will remain in Amey until the end of the contract next year.

The Waste Collections division's revenues for 2020, including share of joint ventures revenues totalled £84.8 million (2019: £107.2 million). Operating losses, including share of joint venture profit or loss after tax, before exceptional items were £6.9 million (2019: £24.3 million loss). No exceptional costs arose in 2020 against £31.7 million in 2019 which arose on impairment of non-current assets in that year.

Overall operating losses were £6.9 million (2019: £56.0 million).

Waste Collections experienced no RIDDORs, and a 37% reduction in the LTI rate.

Health, Safety, the Environment and Quality

In 2020 our Group Health, Safety, Environment, Quality and Wellbeing function kept service delivery at a high level during the challenges of COVID-19. It was a year of structural change, with a new Group HSEQ Director and changes to the way HSEQ was delivered in Business Units. We also implemented a new, Amey Group-wide online reporting and incident monitoring system.

At Amey, safety is everyone's job. Our Zero Code is shaping the behaviours of our workforce and embedding a culture of safety throughout Amey. This is a simple code for working that highlights the key actions we must all take to protect ourselves and others from harm. Its aim is to focus attention on encouraging and developing correct and safe behaviours, and it applies to everyone who works for and with Amey.

Our safety record continued to improve with a reduction in incident rates – both Lost Time Injury rates (LTIs) and Reportable. Our Employee Injury Rate stood at 0.37 injuries per 100 employees at the end of 2020. In the R12m period we have seen a 23% reduction in employee LTIs, equating to 22 less employees being hurt. Our RIDDOR Injury rate is 0.16 injuries per 100 workers. This equates to five fewer RIDDOR accidents in the R12m period. Our All Accident Injury Rate (Lost Time Injuries and Non-Lost Time Injuries) has also improved and sits at 2.44 injuries per 100 workers.

We also maintained the correct levels of PPE for all key workers during the pandemic – there were no instances of working stopping due to PPE shortages. We produced a set of policies and procedures for working in the COVID-19 environment (e.g. social distancing in vehicles, updated risk assessment processes and site business continuity plans).

We support engagement with safety through local Toolbox Talks, an employee portal and our Visible Felt Leadership programme. VFL is an opportunity for leaders and teams to have detailed on-site conversations about their experience of safety and to see where improvements can be made. Over 1,600 of these visits were made during the year.

We have made progress towards our commitment to reduce our impact on the natural environment, with a priority focus on our carbon emissions. In November 2020, Amey became a signatory to IEMA's pledge to Net Zero. This sees UK businesses commit to science-based targets to meet the UK's 2050 net zero target and publicly report progress each year. During 2020 we established a new Carbon and Climate Change Working Group, to progress Amey's activity and contribute to wider industry action and progress. We will publish our targets and carbon reduction roadmap in the first quarter of 2021.

We continued to build on our programme of wellbeing support for our employees. We have enhanced our free Employee Assistance Programme, giving access to all employees and members of their immediate families. Our Wellbeing Ambassador Network is active and growing, with 215 Wellbeing Ambassadors, 120 of whom are trained Mental Health First Aiders. The network supports the development and delivery of our wellbeing strategy.

This year we recruited a dedicated Wellbeing Manager, who will help us take a more strategic and holistic approach to wellbeing.

We checked in regularly with employees through new, regular pulse surveys about their emotional wellbeing (67% Emotional Wellbeing Index October 2020). Individuals receive an emotional wellbeing report at the end of the survey, which is completely anonymous. They can download this and use it to find additional resources. Pulse surveys were particularly important during 2020 when it became vital to understand how the switch to working from home – and the prospect of returning to the office – was affecting employees; initially, only 15% of those working at home were keen to return to an office (June 2020). We also ask about safety: 90% of respondents feel they would be supported if they stopped work should they consider an activity unsafe (October 2020) and on Freedom to Perform, 89% say that they have the appropriate level of freedom within their role to do their job well (October 2020).

We introduced monthly Wellbeing Wednesdays, to encourage people across the organisation to focus on and make time for their own wellbeing. Wellbeing online conferences have been held in our Consulting Business Unit and for our graduate trainees and early careers employees. A set of free, online tools including webinars on seasonal wellbeing topics provides ongoing support and encouraging for remote workers to look after their wellbeing.

All employees who moved to home working carried out DSE assessments and had a series of WoW (ways of working) conversations with their managers. They were asked about the impact of homeworking and what support, wellbeing or equipment adjustments they needed.

At the start of 2021, we have a new road map in place to guide us through the next three years. It focusses on continually driving down risk in every area of our business, and in eliminating fatal risks. We will improve our utilisation of internal HSEQ resources and continue to develop our wellbeing support informed by our risk profile.

We will do this through engagement and with, not 'to' our workforce – making them part of the solution not a 'problem' to be fixed. We will be improving the HiPo process for high potential incidents – building on organisational learning and collaboration across Amey and the Ferrovial Group.

Social Value

Making a positive contribution towards the communities we work and live in is a core part of the way Amey works, and 2020 has tested this in a way we have never seen before. Stepping up to the challenge of supporting the country through the COVID-19 pandemic, our people went beyond all expectations to deliver food, PPE and support to vulnerable people and the NHS.

The year began with the launch in February of our new Social Value Plan by our new CEO, Amanda Fisher. The plan is our roadmap for delivering positive social impact between now and 2024. It sets out 12 key priorities under four pillars:

1. Investing in our people
2. Supporting our suppliers
3. Reducing our carbon footprint
4. Transforming local communities.

Joining Amanda at the launch was a panel including: Peter Holbrook, CEO of Social Enterprise UK; Kate Bull, MD of Britain's Bravest Manufacturing Company and Alex Sobel MP to talk about the opportunities big business and social enterprise must work together.

Supporting communities through the pandemic was the cornerstone of our social value activity during 2020, and in doing so we achieved environmental and social benefits. For example, we donated 90,000 items of PPE to over 100 care homes nominated by our employees, alongside social enterprise Ethical Stationery, who packaged and distributed the PPE. In doing so we:

- Saved 576kg of plasticated card from going to landfill and replaced 15,700 single-use wrappers with biodegradable ones
- Raised £3,500 for the NHS
- Employed 18 homeless and vulnerable adults for two days, supported three amazing charities in Lives Not Knives, Evolve Housing and Nightwatch – to whom we also donated 200 masks. We also encouraged our local community sports club, the Old Whitgiftian RFC, to make a regular donation of food for rough sleepers.

We secured €300,000 of funds for the UK's largest foodbank charity, the Trussell Trust, through our parent company, Ferrovial's 'Juntos' ('together') emergency COVID-19 relief fund. Ferrovial's initiative has donated over €1 million to UK charities, including the Lighthouse Construction Charity, SSAFA (the Armed Forces Charity) and The Trussell Trust. Ferrovial has also donated funds to two key COVID-19 vaccine trials, one at Oxford University's Jenner Institute, and another at Spain's National Centre for Biotechnology.

In April, we identified the Trussell Trust as a charity at the front line of the fight against coronavirus in the UK and put them forward for a Ferrovial donation. Twelve foodbanks across the UK benefitted, with the money going towards food and support for vulnerable people in the local community.

We have made a conscious effort to continue reaching and engaging our young people despite the restrictions through the launch of our online Education Hub. This provides free access to inclusive activities and resources that we hope are fun to do at home as well as educating, engaging and inspiring young people. These included designing a railway route, building structures and taking part in a 'Build your own bird feeders' competition.

We developed a new 'Chat and Learn' initiative, hosting 1:1 online career talks between 14-18-year-olds and Amey employees. The students learn about the various career opportunities available to them and how to reach their chosen career path.

Amey signed up to the Government's Kickstart scheme to help support young people whose job prospects have been affected by COVID-19 and help Britain bounce back.

A further 28 of our apprentices have signed up to take part in a challenging series of self-improvement activities through the 18-month Duke of Edinburgh's Gold Business Award. They join more than 500 Amey young people that have been through the award journey.

We began a new partnership with the Social Mobility Pledge (SMP), hosting founder Justine Greening and the SMP team at our Staffordshire Highways project in October 2020. In 2021 we will launch our 'Opportunity Gap' report. This will set out actions to increase and support social mobility, supporting ex-offenders, veterans and the long-term unemployed into work.

Our partnership with BuildForce supports veterans into employment – establishing four full-time equivalent positions in 2020. In 2020 the programme saw 22 Amey employees acting as mentors to ex-military people transitioning into civilian employment.

We continue to support and partner with social enterprises, working towards our goal of 5% of addressable spend – spend that can be considered for using with alternative suppliers – to be spent with social enterprise suppliers by the end of 2023.

One social enterprise we are working with is Paint360, who create job opportunities for young people facing barriers to employment. Paint360 collects waste paint – some of which is provided by Amey from the Household Waste Recycling Centres we manage - and recycles it for onward use. Every litre of recycled paint produced saves enough embedded carbon to drive a transit van for five miles carbon-free. Paint360 will be the sole provider of paint for our Prisons contract's Clean, Rehabilitative, Enabling and Decent (CRED) programme – with trials also taking place across Amey's schools, prisons and defence sites.

We picked Cancer Research UK as our Employee Chosen Charity for the next two years, winning the votes of over 800 employees. The initiative was launched in February, receiving more than 122 nominations for 89 different charities. We have set ourselves the target of raising £200,000 over the two years, as well as raising awareness of cancer across the Group and supporting employee volunteering.

Finally, we have been progressing action towards our commitment to reduce the impact we have on the natural environment, with a priority on our carbon emissions. In November, Amey became signatories to IEMA's pledge to Net Zero, an industry commitment that sees UK businesses commit to science-based targets to meet the UK's 2050 net zero target and publicly report progress each year.

During 2020 we have established a new Carbon and Climate Change Working Group – our experts who work together to progress Amey's activity and who collectively contribute to wider industry action and progress. We will be publishing our targets and carbon reduction roadmap in the first quarter of 2021.

In 2020 we made good progress, with the intention to remove all traditional internal combustion engine vehicles from the company car choices list by the end of the year. This has successfully been achieved, with the list now only including fully Electric Vehicles, Plug-In Hybrids or Petrol/Electric Hybrids. The list has a good choice of vehicles from a range of manufacturers, with an average CO2 equivalent of 35g/km.

Beyond carbon, we have delivered several projects to protect or enhance our natural environment supported by a team of 100+ Environment and Sustainability experts in our Consulting Business Unit and operational Environmental Managers. This is underpinned by 100% of our business operating under an Environmental Management System that has been externally certified to ISO 14001:2015.

Our People

At Amey, we take personal pride in our public service and are committed to investing in our people and teams. In 2020 we put the foundation for this investment in place. In 2021, we will build on it.

Our 15,300 people are our most vital resource, and 2020 has seen them keeping public services and infrastructure operating during the pandemic. We have enhanced the pay and conditions we offer to our employees, to reward them for their service and support them when they themselves have been affected by COVID-19.

We improved sick pay to ensure employees were fairly supported if affected by COVID-19 (e.g. self-isolating), benefiting over 2,000 employees who moved from £96 per week Statutory Sick Pay to Amey's new standard of £350 per week. We also raised the annual leave entitlement for 5,178 employees to 24 days (from the statutory standard of 20 days per year). We also doubled the Death in Service Benefit for our front-line employees to twice the basic rate of pay.

In line with our commitment to being a Real Living Wage employer, this has positively impacted 145 apprentices and over 2,000 front-line employees. Following discussions with our preferred agency for temporary recruitment, we are paying the RLW to approximately 1,000 temporary workers. We continue to explore options for working with the rest of the supply chain.

During the year over 100 young people joined Amey and we support the government's investment in the Kickstart scheme by offering over 65 places over the next 12 months.

Continuing our focus on being an employer of choice for the widest variety of people, we launched our new Inclusion Strategy. This includes a network of Inclusion Ambassadors and the use of supply chain partners and platforms that help us to attract candidates from all demographic sectors, particularly those in minority or disadvantaged categories.

We also reviewed and revised our flexible working policy, and we are developing a single set of terms and conditions for all new starters.

Further rewards for our employees included a bonus scheme aligned to business objectives. To thank everyone for their response to this year of exceptional challenges, we sent each employee a Seasonal Hamper, as a 'thank you' gift for their hard work and commitment during the pandemic and the whole of 2020.

Offering continuous learning and development helps us remain an employer of choice and retain people and skills for the future. In 2020 we developed and launched a new digital learning platform that enabled us to reach our employees more efficiently. As a result, we have been able to roll out multiple mandatory training requirements being developed by our Enabling Functions and Business Units.

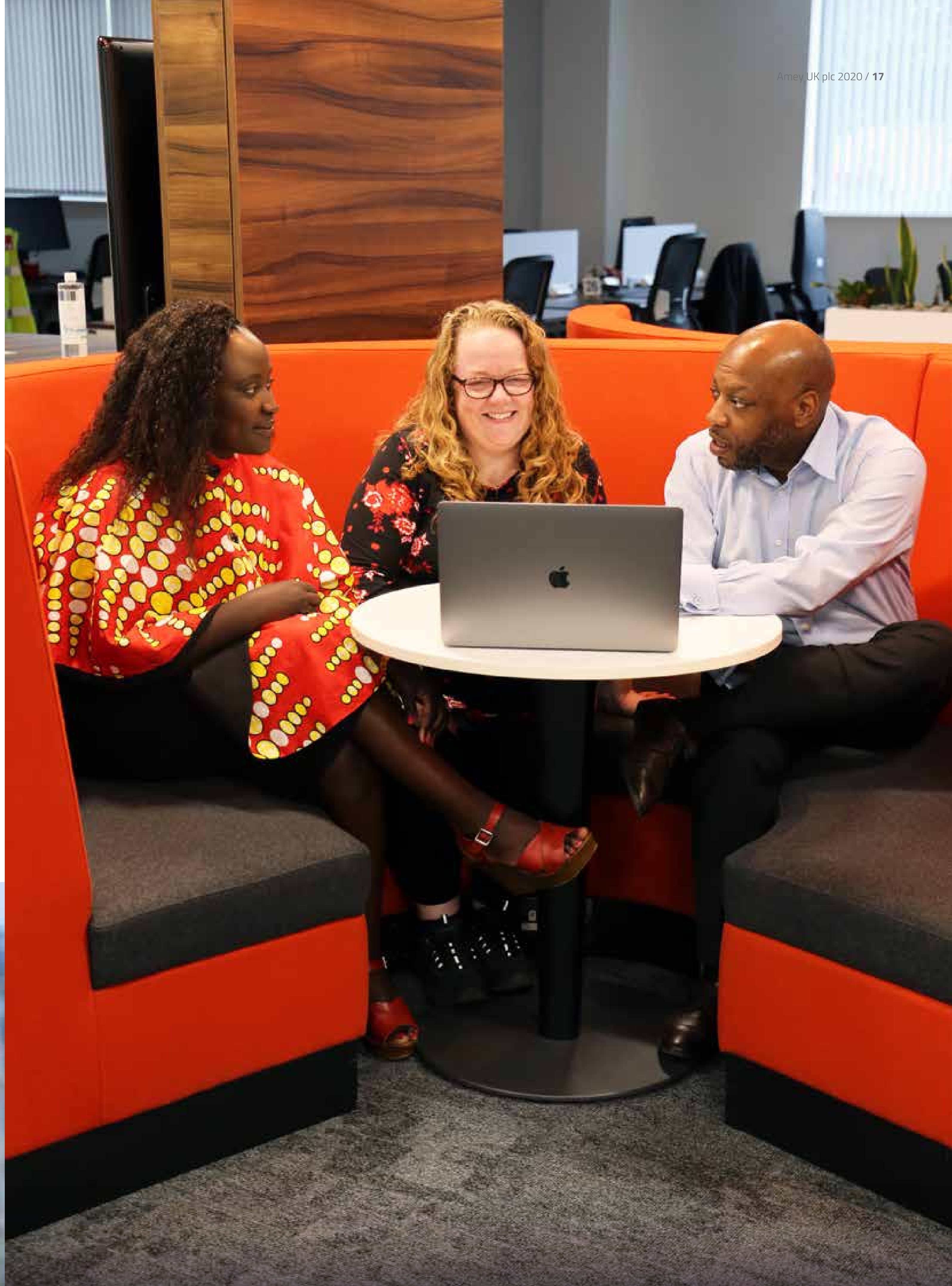
We are embedding people manager training and induction into the on-boarding process, aligned to probationary reviews. To help us develop and retain effective leaders, we are prioritising development of succession plans for our Senior Leadership Team employees and will be offering them and their People Managers Learning and Development support to meet their needs.

We achieved a £4 million saving on our target operating cost for our HR function, on top of a £2.8 million saving already delivered. This included some process efficiencies which will be delivered in our HR shared service in 2021.

We have standardised our 'Authority to Recruit' and approval process. This is part of improving our resourcing, reducing time to offer by 20% and developing new, budget-linked headcount controls.

In 2021, we will build on these investments:

- Bringing more young people into the business, supporting the Government's Kickstart scheme, and relaunching our graduate and apprentice programmes
- We will also make sure those already working for us can gain the skills they need to get ahead in their careers; focusing on continuous development
- Through our inclusion networks and ambassadors, we will continue to embed an inclusive culture that welcomes diversity; giving people the comfort and confidence they need to break down barriers and deliver value
- Supporting ex-offenders and prison leavers. We have started a programme in conjunction with selected prison boards that supports prisoners with training and potential job roles and apprenticeships
- We will continue to reward and recognise the hard work of employees across the business – helping people to understand the range of flexible benefits available and developing a three-year reward strategy.



Key Performance Indicators (KPIs)

To assist the Board's management of the business and to provide evidence of achieving the Group strategy, the Board monitors several financial and non-financial KPIs. To the extent that these are applicable, the KPIs are used to determine bonus and other reward mechanisms in the Group.

The Directors consider that revenue, gross profit, operating profit and operating cash flows are the Group's principal financial KPIs. The non-financial KPIs referred to in this Strategic Report, such as Lost Time Injuries, demonstrate the importance to the Group of minimising health and safety accidents, recruitment of people and encouraging community involvement.

Revenue, gross and operating profit are monitored at a divisional level and these have been discussed within each of the divisional reviews. The Group's cash inflow from operating activities was £57.9 million (2019: £171.6 million outflow). The change in cash outflow has resulted from various movements as detailed in the cash flow statement and in notes 28 and 29 of the financial statements but in 2019 were primarily attributable to a settlement payment of £160 million to exit the Birmingham City Council Highways PFI contract.

Principal risks and uncertainties

The principal risks and uncertainties relating to the Group are summarised below.

Operational business risk

Challenging trading conditions arising out of a reduced pipeline of project work, significant macro-uncertainty caused by the global pandemic, together with Brexit uncertainty, are impacting work volumes. We are seeing contracts with more significant risk transfer in relation to the delivery of key services, resulting in the need for greater due diligence in our bidding efforts. A comparison of commercial terms to Amey's risk appetite may well temper our rate of growth over the coming years as the COVID-19 vaccine programme takes effect and the results of the final Brexit arrangements become clear.

We have seen an increased incidence of contract claims and disputes which we have responded to with commensurate commercial management. The Group is responding with several coordinated measures including regular reviews of each Business Unit's contract performance and Amey Executive oversight of the key contracts across the Group on a monthly basis. Several further initiatives are in place and in development across the Group, centering around a new project lifecycle process, together with an enhanced, bespoke risk management framework and system solution and refreshed contract management to ensure demonstrable contractual compliance.

Future work pipeline/order book

The Group seeks to manage the risk of losing contracts through the provision of added value services, improving the quality of services provided and maintaining strong relationships with key customers. The pipeline of new contracts may be increased or reduced in line with local authority, government and utilities regulators' spending plans in the UK. The Group has moved significantly in its approach to the management of new bids. It is now better able to adapt its capabilities and resources to meet any significant change arising from both the overall work pipeline and increased competitive pressures.

Dedicated resources are devoted to securing new contracts. As investment in the bidding process is only recouped in the event of contract win, the Group regularly reviews the risks and rewards potentially arising. In 2020 it has introduced an IT platform, the 'Governance Gateway', to ensure that all bids are given proper scrutiny and appropriate approvals are obtained at every stage of the bidding process. The Group also endeavours to restrict expenditure in the early stages of a bid, when there is less certainty around success.

Cash and credit risk

The Group's credit risk is primarily attributable to its non-public sector trade receivables. However, significant amounts of trade receivables are due from public sector clients. Credit risk is managed by running credit checks on new clients, ensuring that risk transfer is appropriate, and by monitoring payments against contractual agreements. The Group monitors cashflow as part of its day-to-day control procedures. In addition, the Directors regularly review the Group's cashflow projections to ensure that appropriate contingency facilities are available to be drawn upon as necessary.

The management of credit risk, interest rate risk, funding and liquidity risk and foreign exchange risk is further explained in note 15 to the Group financial statements. The objectives and policies for managing the financial risk of the Group are also outlined in note 15.

Reputational risk

As a major supplier of services to local authorities and government, the Group recognises the reputational risk inherent in continuing to deliver added value and reliable performance on our contracts. The Group also recognises the importance of reputational risk when bidding for new contracts.

In respect of loss of reputation due to tax avoidance, the Group has been assessed as 'Low Risk' by Her Majesty's Revenue and Customs (HMRC) in the UK. This is based on an open and co-operative relationship with HMRC, supported by strong internal controls, clear governance at Board level and a commitment to manage the Group's tax affairs in an ethical and commercial manner.

Health and safety

Amey operates in a number of complex, high risk environments such as rail networks, utilities, defence establishments, civil engineering structures, schools and industrial and power plants. It also operates a significant fleet of rail and road vehicles. Delivering incident-free operations is our license to operate. A robust governance structure is in place to ensure employee engagement, organisational learning, compliance and proactivity. Further details on our approach to health, safety, wellbeing and environmental management are set out on page 14.

Information security

Following the implementation of the General Data Protection Regulation in 2018, the Group continues to focus on the effective management of information, including personal data. The continuing transition from hard copy to digital data, and the need to protect the Group's IT systems from cyber-attacks of increasing complexity, is driving significant changes and improvements to policies and processes as well as technology controls for protecting against, monitoring for, and reacting to these attacks.

The risk of cyber-attack is growing for all organisations, potentially resulting in data loss or extended systems downtime with resultant financial, reputational and customer impacts. Amey continues to invest in improved cyber protection technology and threat monitoring services, however the challenge grows every year as the threat actors gain more powerful tools and 2020 saw successful attacks on some of the most advanced government and technology companies around the world.

In December 2020, Amey became aware of a complex IT security incident. The National Cyber Security Centre and the National Crime Agency were consulted and external advisors (including forensic and threat intelligence experts and external legal counsel) were engaged to provide specialist advice and assist with the investigation and recovery stages. The investigation revealed that a portion of data held by Amey was compromised in the course of the security incident and Amey has been in consultation with the Information Commissioner's Office ('ICO') in that regard. While the ICO has since closed the case, Amey continues to act in accordance with its regulatory obligations.

The recovery from this incident followed a structured process including a detailed forensic investigation of the cause which was identified as phishing email. This email contained links to malicious software programmes that were not detected by the latest patches of our cyber protection software in use at that time, allowing the criminal attackers to gain access to the IT environment. Having identified the cause as phishing email, various new and enhanced security capabilities have been implemented to further enhance our IT security capability along with mandatory employee training and additional monitoring. With this additional security in place, and supported by effective back-up solutions, Amey has recovered all of its core services, business applications and data.

Pensions

Amey's conduct of business in certain sectors requires that it carries exposure to pension risks. Amey has established a pensions committee as a sub-committee of the Executive Committee. This oversees its activities and ensures that Amey's position is optimised within parameters set by the Executive Committee and plc board.

Business continuity

Other risks threatening the continuity of business operations are considered as a part of a centrally driven business continuity planning initiative. This reviews Amey's contingency planning on a regular basis to ensure that risks such as the failure of information systems, loss of key infrastructure, recruitment and retention of key staff and financial and commercial risks are considered and planned for. Financial and commercial risks include the failure to meet financial business plans, pension fund liabilities and delays or cost over-runs in major programmes.

COVID-19 pandemic

The global COVID-19 pandemic has led to significant financial, operational and health and safety challenges. We reacted decisively and proactively to the crisis and very early on we established three overriding objectives to guide our response to COVID-19: protecting the health and safety of our people, supporting our suppliers and supporting our communities.

We moved quickly to keep large parts of the business fully operational with only a maximum of 755 employees (less than 5% of the workforce) furloughed at the height of the first wave. We also secured the necessary PPE to protect our workforce. Reduced volumes of work have been noted and appropriate actions have been taken to utilise the various UK Government relief mechanisms to mitigate impacts. It remains unclear how long the pandemic will last, at what point economic and social restrictions will be relaxed or what the macro-economic impact will be.

Brexit

Amey carried out a detailed review of its operational business and supply chain (including second and third tier suppliers) in relation to the UK's departure from the European Union. This included setting up a working group to review client requirements, the impact on key supply chain partners and of course the potential effect on Amey's workforce.

Amey continues to actively monitor developments, engaging with stakeholders and reviewing the potential medium- and long-term impact on its operations following the UK's departure from the European Union on 31 December 2020.

Potential divestment

Ferrovial, our parent company, has announced the potential sale of all or parts of its services portfolio, of which Amey forms a part. Amey is held for sale but continues to operate on a very much 'business as usual' basis.

Part of the sale strategy has been to review and assess our service delivery portfolio to ensure we focus on our core offering, where we can add the most value. As part of this review we now class as held for sale our Utilities water business.

This classification currently has no impact on our day-to-day operations and, in any event, there will be no contractual implications. We remain committed to our operations and to delivering a high standard of service.

Climate change

Amey recognises the socioeconomic consequences of climate change and that the business has a key role to play in reducing its dependency on fossil fuels and supporting the urgent need for a fair transition to a net zero carbon and resilient world. Amey supports the UN Sustainable Development Goals and call for action that supports investment in low carbon innovation and infrastructure that support sustainable growth, create quality employment and accelerate decarbonisation of the economy.

Principal Risks and Uncertainties Continued

Reducing Amey's carbon emissions

Throughout 2020 we have focused on driving down our carbon emissions, beginning by working with the Carbon Trust to review our approach to carbon management.

We established a Carbon and Climate Change Working Group to progress our carbon-reduction activities and contribute to wider industry action and progress. The group's insight and expertise will inform future action and raise the standard for carbon and climate change education and awareness. The Working Group informs our leadership teams, our strategy and the carbon targets we set.

During the year we continued taking measures to drive down the carbon emitted by our operations. We have:

- Removed all traditional internal combustion engine vehicles from the Company Car Choices List which now only includes fully electric vehicles, plug-in hybrids or petrol/electric hybrids. The list has a good choice of vehicles, from a range of manufacturers, with an average C02 equivalent of 35g/km.
- Continued the installation of Masternaut within our commercial vehicles to monitor driver behaviour and performance. In Scotland we piloted a Green Driver Behaviour Awareness and Recognition Scheme, which uses intelligence from our vehicle telematics, to encourage and reward clean driving. We also continued to offer 'Green Driver Training' - through our partner Advanced Driving Techniques.
- Updated our 'Vehicle Specification Catalogue' listing all alternative fuel options - giving our bidding and operational teams the access and visibility to new vehicles as they appear on the market.
- Increased the cycle to work certificate limit from £1000 to £3000, this has given employees access to more bikes including electric bikes.
- Transitioned our energy procurement to 100% renewable energy.
- Reaffirmed our full commitment to working flexibly - which although driven by COVID-19 - has seen an increase from 2400 to 4500 employees working in a hybrid of home and office, reducing the need to commute.

In November 2020, Amey became signatories to IEMA's pledge to net zero, which commits UK businesses to science-based targets to meet the UK's 2050 net zero target and publicly report progress each year.

In 2021 we will be publishing our 'Roadmap to Net Zero'.

Strategic Report Approval

The Strategic Report on pages 6 to 20 contains the strategic review of the business for 2019. This Report was approved by the Board of Directors on 29 June 2020 and signed on its behalf by:

Amanda Fisher

Amanda Fisher
Chief Executive Officer, Amey
28 May 2021

Statement by the Directors

In performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of Amey UK plc consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2020 (see Corporate Governance statement on pages 30 and 31 and summary of decisions below).

The Group's purpose is to deliver the very best infrastructure, asset management, engineering and strategic consulting services and projects. Our business strategy encourages continuous improvement and sustainability in our chosen markets whilst embracing our passion for innovation and environmental, social and governance excellence.

The Board has approved a strategic plan which is designed to have a long-term beneficial impact on the Group and to contribute to its success in delivering better quality and more innovative services to clients and end customers to 2024 and beyond. We will continue to operate our business within tight budgetary controls and in line with our client's expectations. (see Strategic Report on pages 6 to 20).

Our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and wellbeing of our employees is one of our primary considerations in the way we do business (see Chief Executive Officer's review on pages 2 to 4 and Strategic Report on pages 6 to 20).

Our core values are the building blocks of how Amey conducts its business and they help forge strong relationships with customers, partners and supply chain, to keep improving our services every day. The Directors are vigilant in monitoring feedback from customers and stakeholders and encourage opportunities to effect improvements.

The Going Concern statement details those factors underlying the Directors' viability assessment and opportunities and risks are detailed on pages 31 to 32 of the Directors' Report.

Discharge of Directors' duties

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

The likely consequences of any decision in the long term, for instance in relation to:

- The Strategic Plan adopted in January 2020 and a strategic review of the Group portfolio which identified core and non-core activities together with a refreshed Executive leadership team and operating model to align with the strategy. The non-core businesses are detailed in the Chief Executive Officer's summary on pages 2 and 3.
- Approving, in January 2020, a Business Continuity Plan for the Group which was successfully invoked in response to the COVID-19 outbreak
- Brexit contingency planning
- Agreeing the budget for 2021
- Review of, and approval to, key bids and business development opportunities.

Interests of the Group's employees. This has been a key focus during the year; the Directors determined that showing employees that they matter would help them be engaged, productive and healthier and that motivation delivers the best results for our clients and supports the long-term growth and profitability of the business. Feedback from employee engagement through channels such as the Ways of Working ("WoW") interviews and regular 'Pulse' surveys of employees has influenced the following decisions relating to employees:

- Adoption of the Real Living Wage and improved sick pay entitlements, which had a favourable impact on the earnings of 2,000 front-line employees
- Handling potential impacts of COVID-19 which included managing furlough sensitively, revising the flexible working policy and a series of wellbeing initiatives for employees
- Significant investment in learning systems and employee development with a digital learning platform being launched for all employees
- Review of health and safety activities and incidents with approval to thematic campaigns to support the Zero Code initiative
- Refreshed apprentice and graduate programmes
- Employee consultation including in relation to a transformation programme to optimise support functions
- Diversity and inclusion, with the adoption of an inclusion strategy 2020-2021, led by an Executive sponsor
- Reviewing and approving the gender pay gap report for 2019 which included taking active steps to improve the attractiveness of the sector to women by targeted promotion of careers in engineering, technical and managerial roles
- Critical talent and resource review.

Further information on engagement with and communication with employees is reported in the 'Our People' section of the Strategic Report (page 16) and the Directors Report (page 24).

The need to foster relationships with suppliers, customers and others:

- The adoption of a Social Value Supply Chain Charter to engage and work with all our suppliers on their commitment and contribution to social impact. The commitment is to place 5% of our addressable spend with social enterprises – businesses which use their profits to create positive, social change – by 2023. This will amount to around £40 million in the next four years
- Development of a social value plan
- Regular meetings and dialogue with the Crown representative, including an annual supplier assessment
- Supplier evaluation and engagement
- Review of data for payment practices reporting. As a responsible business, the Directors recognise the importance of cash flow for the thousands of businesses in the supply chain. 95% of invoices are paid within 60 days which represents an improvement of 13% since 2018
- Manging and resolving the impacts of the cyber-attack, reported on page 19, on the delivery of services to customers and payments to suppliers
- Key client engagement and reviews of significant contracts.

The impact of operations on communities and the environment:

- Adoption of the Social Value plan as a roadmap for delivering positive social impact. The plan was developed in response to the social, environmental and economic challenges faced by customers and will guide the business until 2024. Further details can be found on page 15 of the Strategic Report
- Setting an ambitious target on carbon management and the roadmap to achieving a reduction in carbon to net zero
- Developing the Amey VTOL joint venture enabling long-range hybrid drones to transform the industry, making it safer, quicker and easier to survey and assess vital civil infrastructure such as bridges and railways.

Reputation for high standards of business conduct:

- All Directors in the Group and the senior leadership team received refresher training on director duties and conflicts
- During the year the Board conducted reviews of whistleblowing reports and allegations of unethical behaviour
- All Group ethical and compliance policies were reviewed and updated during the year and included in the Amey Code, which was approved in September 2020 and issued to all employees.

Report of the Directors

Report of the Directors

The Directors present their Annual Report together with the audited financial statements of the Amey UK plc group of companies (Amey or the Group) for the year ended 31 December 2020. Amey UK plc (the Company) is incorporated in the United Kingdom (registered in England and Wales) and is the holding company of a Group whose subsidiary companies and joint venture undertakings are listed in note 31 to the financial statements. The Company is a plc, is limited by shares and is privately owned.

As permitted by Section 414c (11) of the Companies Act 2006, some matters which are required to be included in the Directors' Report have instead been included in the Strategic Report. These disclosures are incorporated by reference in the Directors' Report.

Strategic Report

The Strategic Report comprises: the Chief Executive Officer's summary statement on pages 2 to 4 and the corporate commentary on pages 6 to 16, describing the principal activities of the Group, the development and performance of the Group's business during 2020, future developments and the position of the Group at the end of the year.

A description of the principal risks and uncertainties facing the Group is also contained in the Strategic Report.

Results and dividends

At 31 December 2020, the Directors have assessed the progress and status of the sale processes undertaken in 2020 for the three Cash Generating Units (CGUs) which were held for sale at 31 December 2019. They have confirmed a change to plans based on the feedback received on those processes and they also consider that paragraphs 6 to 8 of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are no longer met for certain contracts, assets and liabilities of those perimeters:

- In the Environmental Services Treatment CGU, the process of the sale has not driven the expected appetite in the market and, consequently, the Group is now re-assessing the strategy to follow going forward
- In the Environmental Services Collection CGU, agreements have been reached on 28 February 2021 and 31 March 2021 to sell certain contracts but retaining part of their assets and liabilities at the transaction date. Additionally, there are two contracts that have been excluded from the perimeter of the sale as there were no relevant interest received from the market on them
- In the Utilities CGU, the sale process has progressed for the Water business and is still ongoing. Certain other assets and liabilities are now being retained in the Power and Metering business area

Based on the above, the only relevant segment which remains held for sale at 31 December 2020 is the Utilities Water CGU.

As a result, the Group has ceased to classify as held for sale the components excluded in the previous paragraphs, so the results of operations of those components previously presented in discontinued operations in accordance with paragraphs 33 to 35 of IFRS 5 have been reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods have also been re-presented.

The Group income statement is set out on page 38 and shows a loss after tax for the year on continuing operations amounting to £105.5 million (2019 re-presented: £118.0 million loss) on Group revenue on continuing operations of £2.14 billion (2019 re-presented: £2.28 billion). The profit on discontinued operations for the year was £2.7 million (2019 re-presented: £99.1 million loss).

The overall gross profit and operating loss on continuing operations before exceptional items were respectively £53.7 million and £29.4 million (2019 re-presented: £65.1 million gross profit and £21.4 million operating loss) representing a margin of 2.51% and minus 1.37% (2019 re-presented: 2.86% and minus 0.94%). Administrative expenses on continuing operations were £88.0 million (2019 re-presented: £100.5 million).

The operating profit on continuing operations is stated after charging all operating costs and before net finance expense and tax. The operating loss on continuing operations after exceptional items was £91.7 million (2019 re-presented: £79.4 million loss). Net operating exceptional charge on continuing items arising in 2020 totalled £62.4 million (2019 re-presented: £58.0 million exceptional charge) full details of which can be found in note 4 to the Group financial statements.

Net finance expense on continuing operations was £6.2 million (2019 re-presented: £29.8 million). The Group's share of profit after tax of joint ventures on continuing operations was £5.0 million (2019 re-presented: £14.0 million).

Group operating cash flows from all activities were £57.9 million inflow (2019: £171.6 million outflow). The 2020 outflow included payments of £10.0 million (2019: £160.0 million) as part of the cost to exit from the Birmingham City Council Highways PFI contract in 2019.

Shareholder funds and further issue of Other equity instruments

Equity shareholder funds at 31 December 2020 stood at £82.8 million (2019: £55.0 million deficit). No interim dividend was paid during the current or preceding year. The Directors do not recommend the payment of a final dividend. In the year, shareholder funds have been bolstered by the issue of a £281.0 million other equity instruments in exchange for a reduction in Group borrowings from the Ferrovial, S.A, group.

On 26 February 2020, £169.0 million of the Group's remaining existing subordinated loans from Landmille Limited and held by a subsidiary undertaking, Amey plc, were converted into a third Other equity instrument with Landmille Limited (through a further subordinated hybrid loan).

On 31 December 2020, the Group's existing £60.0 million subordinated hybrid loan held by Amey UK plc from Ferrofin SL was converted and consolidated with a further issue of subordinated hybrid loans of £103.1 million into a restated subordinated hybrid loan from Ferrofin SL. The proceeds from the further issue were used to repay a subordinated loan from Ferrofin SL of £78.1 million and to extinguish £25.0 million of other liabilities due to the Ferrovial group. This restated loan of £163.1 million is classed as Other equity instrument and is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points which rises to 12-month LIBOR plus 500 basis points if Group Profits Before Interest, Tax, Depreciation and Amortisation ('EBITDA') is above a set threshold.

Also, on 31 December 2020, the Group's remaining subordinated loan from Landmille Limited (held by Amey plc) of £8.8 million was converted and consolidated with the existing £200.0 million and £169.0 million subordinated hybrid loans from Landmille Limited. The resulting restated subordinated hybrid loan of £377.8 million was also assigned from Landmille Limited to Ferrofin SL.

Landmille Limited and Ferrofin SL are both fellow members of the Ferrovial, S.A. group of companies.

Composition of the Board

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

Ian Tyler

Chairman - Appointed 1 January 2018

Ian joined Amey in 2018 bringing a wealth of experience and knowledge across all key sectors. He was previously at Balfour Beatty for 17 years, most recently as Chief Executive. He currently sits on four other boards: as a Non-Executive Director of BAE Systems, Chairman of Vistry Group plc (formerly Bovis Homes Group plc), Chairman of Affinity Water Limited and Independent Chairman of the Atomic Weapons Establishment (AWE), a joint venture between Lockheed Martin, Serco and Jacobs Engineering.

Amanda Fisher

Appointed 22 January 2020

Amanda was appointed acting CEO of Amey in December 2020, prior to which she was Managing Director of the Facilities Management, Defence and Justice division, having joined Amey in August 2017. Amanda has a strong background across several sectors, including the wider FM market, business services and highways, having previously worked at Balfour Beatty, Alfred McAlpine and Allied Healthcare, since leaving the Armed Forces where she was a commissioned officer.

Alfredo García

Alfredo joined Ferrovial in 2003 as manager of the International Legal Department within the Ferrovial Service Legal Department. In June 2008, he was appointed Ferrovial Services' Legal Director. He is a member of the Steering Committee of Ferrovial Services.

Fernando Gonzalez de Canales Moyano

Fernando joined Ferrovial in 1992 as Chief Financial Officer of Ferrovial Group's Business Development Division. In 1999, he was appointed Chief Financial Officer of Ferrovial Services, which has a current annual turnover of over €6 billion and activities in several countries. He is also a member of Ferrovial Group's Finance Committee.

Composition of the Board

Fidel López Soria

Chairman - Appointed 1 January 2018

Fidel is Chief Executive Officer of Ferrovial Services. Fidel is a graduate in Mining Engineering from the Polytechnic University of Madrid and the École Nationale Supérieure des Mines de Paris. He holds an MBA from MIT-Sloan School of Management. He joined Ferrovial in 2007, developing his role in the Services and Airports divisions. Within the Services division, he has held the role of CEO of Broadspectrum, Development Director of the division and member of the boards of Amey, Tube Lines and Swissport. Within the Airports division, he was Commercial Director of Heathrow and Director of Airports at BAA. Before joining Ferrovial, he developed his career at McKinsey and Enel.

A Nelson

Andrew is Amey's Chief Finance Officer; he joined Amey in 1999 and was appointed to the Board in 2006. He has played a key role in restructuring the Group's finances and negotiating acquisitions and disposals, including the purchase of Enterprise plc in 2013 and the disposal of Amey's interest in Tube Lines in 2010. He is also responsible for procurement and IT.

Gonzalo Nieto Mier

Appointed 09 December 2020

Gonzalo is Ferrovial Services' Transformation Director and he joined Ferrovial in 2004 after receiving an MBA from NYU-Sloan School of Management and working in financial markets and as a consultant. At Ferrovial, he has held several positions, most recently developing and managing FS business in various countries across EMEA and Americas. He has served as a Director of Ferrovial companies in 10 different countries and first worked with Amey in 2005.

In addition to the Directors above, the following served as Directors during the year: Andres Camacho (resigned 25 March 2020) and Juan Arguedas (appointed 31 March 2020, resigned 30 September 2020).

Company Secretary - Jayne Bowie

Jayne is Company Secretary and General Counsel for the Amey Group. Jayne joined Amey in 2012 as Senior Counsel (later Legal Director) becoming General Counsel in 2017. She is responsible for managing the Legal, Corporate Services and Risk Management functions.

Directors' indemnity

Directors and Officers of the Company (and those employees who are also Directors of the Group's subsidiary companies) benefit from Ferrovial, S.A.'s group-wide directors' and officers' liability insurance cover in respect of legal actions brought against them. Accordingly, the Company and its subsidiaries do not maintain their own equivalent Directors' indemnity insurance cover arrangements. In addition, Directors of the Company are indemnified under the Company's articles of association to the extent permitted by law, such indemnities being qualified third party indemnities.

Report of the Directors

Stakeholder engagement

Employee engagement and employment policies
Connecting with employees, especially front-line workers, has been a priority throughout the year. The Group's policy is to have open and regular communication with all employees through both formal and informal methods that are regularly reviewed and developed.

Employees are provided with information about Amey through the intranet, internal social channel Yammer, Chief Executive Officer briefings, 'Hub' (the employee magazine), emails, text, occasional briefings and 'e-newsletters' and via their people managers. These are in addition to communications direct to employees on specific matters or initiatives, such as in relation to the Health and Safety Zero Code and further development of employee wellbeing initiatives.

Employees can also access priority information on topics such as safety, wellbeing, benefits and COVID-19 via an internet portal. Springboard, Amey's continuous improvement programme, empowers employees to suggest and implement improvements to the business.

The Group also regularly reviews and updates its intranet, AmeyWorld, which provides a wealth of information accessible across the Group including daily news, process documents and results. In addition, 'Toolbox Talks' provide regular communications to operatives with updates on health and safety and contract or site information together with corporate messages. There are also Business Unit initiatives aimed at enhancing employee engagement, one being the availability of a weekly Directors' hotline which is answered by the senior leadership team of the Business Unit.

Members of the Group pension schemes also receive regular reports and communications on matters relating to their pensions.

During 2020, 'WoW' interviews were held with all employees who were required to work from home due to Government restrictions in response to COVID-19. These included health and safety assessments and wellbeing considerations.

Regular 'Pulse' surveys were also conducted to monitor employees' emotional wellbeing, maintain employee engagement and focus on specific aspects of employee wellbeing. The surveys provided the opportunity for employees to influence future WoW and to obtain a personal emotional wellbeing score with helpful advice and links to further resources. The wellbeing agenda includes monthly 'Wellbeing Wednesdays' – a platform for a range of different topics and activities, all of which were supported by a network of wellbeing ambassadors.

A network of 'changemakers' has been established to engage with and get feedback from a cross-section of employees in advance of corporate initiatives. More formal employee engagement is conducted through employee-appointed representatives and the Group also engages at national, regional and local level with a number of trade unions.

Amey's Consulting Business Unit is trialling a Shadow Board. This comprises employees with a diverse offering of expertise from within the Business Units who will support the Consulting Executives on key strategic decisions, innovation, problem-solving and risk management.

Rewards, recognition and performance
Reward at Amey covers all aspects of compensation and benefits including pay planning, bonus structure and pay-out market benchmarking, flexible benefits, employee preferential discounts and recognition tools.

All reward policies and practices support the Group's business goals and are commercially focused, in order that Amey remains competitive, fair and consistent across the business and that it attracts, retains and motivates employees to ensure that everyone can perform to the best of their ability. During the pandemic, annual pay increases were maintained for front-line employees and Amey became a Real Living Wage employer. The Real Living Wage is independently calculated based on the actual cost of living. This decision has increased the pay of over 25% of employees.

The Investors in People (IiP) Silver Award places the Group in the top five per cent of UK employers within IiP's new revised and elevated standard. The award recognises that a strong learning culture is promoted across Amey. Managers are required to provide performance management support to every employee in the form of annual objectives-setting and end-of-year performance appraisal. Employees are encouraged to be actively involved in setting their objectives and work projects for the year ahead.

Diversity and inclusion
The Board is committed to making Amey a leader in its sector for inclusion and wants to make sure that the services it carries out are inclusive of the wide range of people in the communities they serve. An Inclusion Steering Group is responsible for developing and cascading Amey's inclusion strategy, for acting on feedback from inclusion network groups, sharing lessons learnt about inclusion throughout its business and for co-ordinating and championing inclusion issues.

Amey strives for fairness, respect and equality of opportunity for all of its people, from when they join Amey, and throughout their employment lifecycle with regard to: training and development, payment and benefits, appraisal and promotion, through to retirement.

Amey complies with the Equality Act 2010 and Public Sector Equality Duty. The aspiration is that Amey's services help eliminate unlawful discrimination, harassment and victimisation; advance equality and foster good equality relations. The Group promotes an inclusive environment, free from discrimination, harassment and victimisation. Action is taken against any employee or person contracted to Amey who breaches this policy. The Group aims for its employees and customers to receive fair treatment regardless of equality characteristic or social background.

Amey is a founding signatory of the rail industry Equality, Diversity and Inclusion Charter.

The Women@Amey Learning Development Programme helps women to take the next step in their career and become future Amey leaders. The network promotes STEM careers to young women working with schools, colleges, universities and girl guiding groups.

Amey has also signed the SMP and is taking steps to boost opportunity and social mobility in relation to the three key elements of the pledge: outreach, access to employment, and recruitment.

Disabled employees
Harnessing the talents, skills and experiences of people with disabilities will help Amey to create a stronger, more diverse business that reflects the communities it serves.

To show its commitment, the Group has signed up to the UK Government's Disability Confident campaign. This not only helps people with disabilities or health conditions to get into full-time employment, but also gives them the support they need whilst they are at work. As part of its commitment to this, Amey makes reasonable adjustments where required for customers and employees, guarantees job interviews for people with disabilities who meet essential requirements, and audit sites, systems and communications to ensure that they are accessible.

Disabled employees are eligible for training, career development and promotion opportunities as is available to all Amey employees. Our Line Managers regularly discuss training and development needs with all employees in our individual Performance, Development and Review ('PDR') process. This process allows Amey to offer appropriate training bespoke to individual employees' requirements and appropriate training support and workplace adjustments will be provided where necessary. PDR processes also ensure there are no unforeseen barriers to progression for disabled employees, such as changes to location or travel arrangements

Engagement with clients and suppliers
Amey spends £1.1 billion a year with its supply chain. With the publication by the Government of the Outsourcing Playbook and a new Social Value Framework requiring that social value be given greater focus and explicitly evaluated in central government procurements, it has launched a Social Value Supply Chain charter and has asked suppliers to consider what social value they can deliver, and how they will invest in their people.

(a) Supplier engagement
The Group aims to build, manage, develop and maintain a supply chain comprising the best partners and suppliers who will work safely and collaboratively, improve efficiency, innovate, provide value for money and realise its customers' aspirations.

The supply chain strategy embeds Amey's ethics and behaviours with strongly led, socially responsible, responsive and collaborative organisations that reflect this in their own organisations. Amey's supplier selection and procurement management processes are inclusive, objective and rigorous to ensure it works with the right organisations for the long term. Performance data from annual 360° supplier reviews is used to maintain and continually develop to improve supply chain performance, build relationships and to ensure the right behaviours consistently to achieve the Board's business goals.

The diverse nature of Amey's business creates relationships with many suppliers of all sizes and a significant amount of money is spent every year with suppliers on goods and services supporting its activities. Amey's suppliers are fundamental to the performance of its business and as such they are expected to have a total commitment to working safely; to be capable, socially responsible, quality-driven, innovative and efficient; and to provide Amey with value at competitive cost and in full compliance with legal requirements, regulations and the highest ethical practices – all in a collaborative environment.

A consistent and clear, best practice, procurement process is intended to build long-term sustainable relationships with suppliers, treating them fairly and embracing them as part of Amey, to enhance its capability in delivering good service competitively to its customers.

Engagement with suppliers was enhanced during the year in order to mitigate the impact of COVID-19 on the supply chain, with a focus on providing all suppliers with consistency of workflow. At-risk suppliers were identified and provided with additional support and suppliers were redeployed to critical services where possible.

(b) Client engagement
The Board has engaged with a number of key clients during the year in order to maintain sustainable relationships and continuity of service provision during the pandemic. Client satisfaction remains a priority for the Board.

Through a Customer Maturity Matrix, which has been developed and rolled out across Amey contracts, performance and work can be benchmarked with clients to improve services further.

Engagement with other stakeholders

The Directors have had regular dialogue and meetings with the Cabinet Office Crown Representative at which Amey's business continuity in delivering essential public services during COVID-19, its work on social impact and supplier payment and reporting have been discussed.

There is also close engagement with the Group's lenders and pension trustees.

Modern Slavery Act
The Group recognises that it has a responsibility to take a robust approach to slavery and human trafficking and takes a zero-tolerance approach to non-compliance with the Act in any part of its business or its supply chain. This abridged statement sets out the steps the Group has taken to address the risk of slavery and human trafficking within its operations and supply chain. The full Slavery and Human Trafficking Statement, which is the fifth such statement which Amey has produced, can be found on the Amey website, www.amey.co.uk.

The Group's supply chains include:

- Plant, vehicles and equipment suppliers
- Subcontractors and various service providers
- Suppliers of contingent labour
- Manufacturers of goods and materials

All procurement of services and supplies is undertaken by trained procurement specialists. The Group aims to build long-term sustainable relationships with its suppliers, encouraging collaborative working and exchange of innovative and good industry practices. The Group has in place systems to evaluate new suppliers as part of the on-boarding process and to identify, assess and monitor potential risk areas in its supply chain. During 2020, there was continued engagement with the supply chain, extending communications on Group values and specifically in relation to the Act.

Amey has reviewed its supply chain modern slavery risk assessment and is now reviewing the onward actions.

During the year Amey became a signatory to the Gangmasters and Labour Abuse Authority construction protocol, guidance from whom will enhance the efforts being made by the Modern Slavery Working Group, which is comprised of senior departmental managers.

Policy on slavery and human trafficking:
The Group remains committed to ensuring that there is no modern slavery or human trafficking in its supply chains or in any part of its business, with zero tolerance of non-compliance. This statement reflects that commitment to acting ethically and with integrity in all its business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in the Group's supply chains.

The Group operates under policies which ensure that business is conducted to the highest ethical standards and all Amey employees and suppliers are provided with a copy of the Company's code of ethics which was updated during the year and relaunched as the 'Amey Code'.

Due diligence processes for slavery and human trafficking:
During 2020, Amey continued to engage with its supply chain, communicating its values, specifically around the Act. The Group's risk-based analysis on its own operations and within its supply chain has special regard for the location of those operations and type of service. Further risk analysis is ongoing as part of the Group's risk management system to ensure compliance.

Training:
Training is being refreshed and cascaded to all employees to ensure a high level of understanding of the risks of modern slavery and human trafficking. Amey has developed a web-based training module with a centralised dashboard to provide managers with visibility of employee training completion. The web-based training will also be made available to supply chain partners to promote awareness of, identify and address potential modern slavery risks.

Anti-Slavery Day on 18 October 2020 was a focus for a number of campaigns such as the publication of guidance on 'Spotting the signs' and 'What to do'.

KPIs:
Amey's measures to combat modern slavery are in constant review and the proactive regime of training and internal and external audits shall continue and will be stepped up to maintain compliance and to prevent modern slavery from occurring. Our main KPI is the number of incidents raised. During 2020 no incidents of modern slavery were raised through any of the channels provided.

In 2019, we completed the Cabinet Office's Modern Slavery Assessment Tool and scored 87%. We are now reviewing and working on the assessment recommendations.

Report of the Directors

Corporate governance

Amey is committed to high standards of corporate governance and has adopted the Wates Corporate Governance Principles for Large Private Companies as a Group.

Operation of the Board

The Board is responsible for the strategic direction, effective management, development and control of the Company and the Group as a whole.

Executive Committee

The Board's strategy is implemented via the Executive Committee, comprising senior executives, who assist the Chief Executive Officer in the management of the operations and development of the Group as a whole. Chaired by the Chief Executive Officer, the Executive Committee meets on a monthly basis, including strategy sessions. Detailed operational activity is the focus of Operational Review meetings and Business Unit Management Boards. Recently, and in particular during the early stages of the COVID-19 pandemic, the Executive Committee increased the frequency of its meetings.

Investment and Approvals Committee

An Investment and Approvals Committee has been established as a sub-committee of the Board to review all approval requests in accordance with the Approvals Policy, with the remit and powers delegated to it by the Board. During the year a digital governance gateway was developed through which approvals are channelled to enhance compliance, consistency and control.

Operational Reviews

Each of the Business Unit Managing Directors, Finance and Commercial Directors report monthly to the Chief Executive Officer, Chief Finance Officer and General Counsel, who challenge the unit's performance, top risks along with mitigations, financial performance, innovation, bids and future market positions.

Health and Safety Strategic Committee

Chaired by the Health and Safety Director, the committee comprises Managing Directors and key individuals from within the business who monitor, assess and seek to prevent health and safety incidents within Amey. Amey takes the wellbeing of its employees, suppliers, customers and community very seriously and regularly reviews every aspect of safety within the business.

Remuneration Committee

The Remuneration Committee is established as a sub-committee of the Amey UK plc Board and has the power to define and implement policies and procedures relating to arrangements for compensation and benefits for all Amey employees including the Executive Team and Amey Board Directors subject to shareholder approval.

System of internal control and risk management

The Board has a well-established risk management policy and procedures, reporting mechanisms and regular formal reviews which together provide transparency of risk throughout all tiers of management. Amey seeks to manage risk proactively to reduce the likelihood of occurrence and/or the impact should it happen. Reporting mechanisms allow for risks identified at contract or function level that meet set criteria, to be elevated through the business structure. Those that meet the required criteria are reported to the Risk Management Committee, the operational boards and ultimately the Executive Committee.

Amey manages and monitors risk in two ways:

- Identifying and evaluating potential risks to the business, recording currently established methods of managing that risk and, importantly, developing risk treatment plans to enhance the opportunity to reduce the likelihood of occurrence and/or the extent of impact should the risk crystallise
- When a risk event occurs, focus turns to managing its impacts, mitigation and capturing lessons learnt.

Both corporate risks and risk events are reported through the governance process.

The Executive Committee formally reviews the risk management reports at its meetings. In addition, all Board meetings conduct a full review of financial performance. Financial reporting is against budget and previous forecast. The period to date financial position is reviewed by the Board at each meeting together with the latest full year forecast.

During 2020, the Executive Committee reviewed the risk management architecture and the composition and terms of reference for the Risk Management Committee. As a result of this review, revised systems are being integrated into the risk management process and the Terms of Reference updated.

The Directors acknowledge that the Company operates in a complex and changing business environment with many areas of judgement that it has not always got right. To try to lessen the variability in eventual outcome of those judgements, at the beginning of 2020 the Board revisited internal audit findings going back several years and summarised them into nine key areas of focus. These included the Company's bidding process, contract management, cost control and estimation of margins, risks, provisions and claims.

Each area of focus has an executive sponsor who is responsible for ensuring that actions, which may include policy updates, system updates and governance changes, are completed during 2020 so that risks continue to be mitigated. Many of the bids which have led to contract wins during 2020 were submitted within this new framework.

IT systems

Controls and procedures are in place to maintain integrity of system access and data content. The use of IT is a core part of the way Amey operates. Investment in IT ensures that there is constant development to deliver least cost, improved performance and a safe workplace.

Internal audit

The scope of the Internal Audit function includes reporting on operational, commercial, and financial controls across the whole Group, including mobilisation monitoring. Health, safety and quality audits are also in place as a fundamental part of the risk management process. In addition to Amey's Internal Audit and Assurance function, the Group's parent company carries out audits to assess the adequacy and effectiveness of internal controls over the key risks faced by the Group and reports its findings to management.

Energy and Carbon Performance

In 2020, our total carbon footprint was 229,903 tCO2e under GHG protocol scope 1 and 85 tCO2e under GHG protocol scope 2 (2019: 232,210 tCO2e and 1,495 tCO2e respectively). We achieved a 1.6% reduction in our Scope 1 & 2 carbon emissions. Our scope 3 emissions within business travel in employee-owned vehicles was 112 tCO2e (2019: 358 tCO2e)

We consumed 276 GWh of energy in 2020 (2019: 315 GWh), representing a 13% reduction, from the sources detailed in the table below:

	2020	2020	2019	2019
Energy source	**kWh**	**% of total consump**	**kWh**	**% of total consump**
EfW Parasitic Consumption	**26,303**	**10%**	25,578	8%
Electricity	**28,003**	**10%**	32,578	10%
Gas	**2,258**	**1%**	3,401	1%
Diesel	**159,320**	**58%**	187,462	60%
Unleaded	**13,752**	**5%**	9,297	3%
Red Diesel	**44,385**	**16%**	52,579	17%
Kerosene	**410**	**<1%**	525	<1%
LPG	**741**	**<1%**	1,313	<1%
Bus Travel - employee vehicles	**454**	**<1%**	2,323	<1%
Total	**275,626**	**100%**	**315,056**	**100%**

Our energy intensity is annual energy consumed per annual turnover, in 2020 this was: 0.118 GWh/£m turnover (2019: 0.128 GWh/£m), resulting in 8% lower energy intensity as against our 2019 performance.

Methodology: Carbon emissions are calculated in accordance with the GHG Protocol – Corporate Standard (version 3.51) and the Waste Sector built on GHG Protocol and externally verified by our parent company external auditors PricewaterhouseCoopers. Our total energy consumption has been calculated using data and methodologies compiled in the fulfilment of the Energy Savings Opportunity Scheme (ESOS) Regulations.

Going concern

The Group is financed through a mixture of shareholder equity, other equity instruments issued to Ferrovial companies, intercompany debt from Ferrovial companies, finance leases, non-recourse project-related bank term loans, other bank loans and overdrafts. Details of all bank loans and their maturity are set out in note 22 to the financial statements whilst details of finance risks are set out in note 15.

The Group's key external banking facilities are five bilateral facility agreements of £32 million with each of HSBC Bank plc, Lloyds Bank plc, Royal Bank of Canada, The Royal Bank of Scotland plc and Santander. These agreements total £160 million with £32 million maturing in July 2021 and £128 million maturing in July 2022. A subsidiary company of the Group also has an additional facility of £23 million with The Royal Bank of Scotland plc which matures in June 2021.

At 31 December 2020, all £160 million of the bilateral facilities were undrawn and the Group also held £71 million of unrestricted cash on the Group balance sheet with £22 million of other bank loans drawn down. In February 2021, the Group concluded its discussion with its lenders to replace the £32 million loan expiring in July 2021 with new loans totalling £40 million expiring in July 2022. Additionally, with effect on 31 December 2020, shareholder loans of £85 million were extinguished as part of a further recapitalisation of the Group for additional total equity of £112 million.

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

- The future business plans of the Group (comprising the results for 2020 and the draft budget and strategic plan for 2021 to 2025)
- The availability of core and ancillary financing facilities including those provided by Ferrovial
- The compliance with the related net debt/EBITDA banking covenant which must remain under 3.00x
- The projected drawn positions and headroom available on the core committed financing facilities
- The projected future cash flows of the Group comprising:
  - A Base Case forecast built up from the budget for 2021; and
  - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case

The RWC forecast looks at the following key sensitivities:

- A reduction to the Group's EBITDA of £24 million in 2021 and £33 million in 2022 to reflect the ongoing volatility in the UK trading performance and sector dynamics
- Additional sensitivity around the timing of receipts
- Assumption allowing for a further reduction in the number of days outstanding of trade payables
- A significant delay in the dates budgeted for the sale of the non-core businesses; and
- Repayment of £23 million of the Group's banking facilities in June 2021

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

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

Report of the Directors

Going concern (continued)

The Board has also considered the implications behind the ongoing strategic decision of Ferrovial to divest its Services portfolio, reconfirmed in February 2021. This decision does not impact Amey's day-to-day operations and, in any event, as the Group does not rely on Ferrovial contractual guarantees there are no implications to the ongoing trading operations of the Group after a sale. The impact on our financing arising from a change of control would be as follows:

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

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

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

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

Political donations

No contributions were made to any political parties during the current or prior period.

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 parent company financial statements Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable 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.

In preparing Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the Company's ability to continue as a going concern.

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

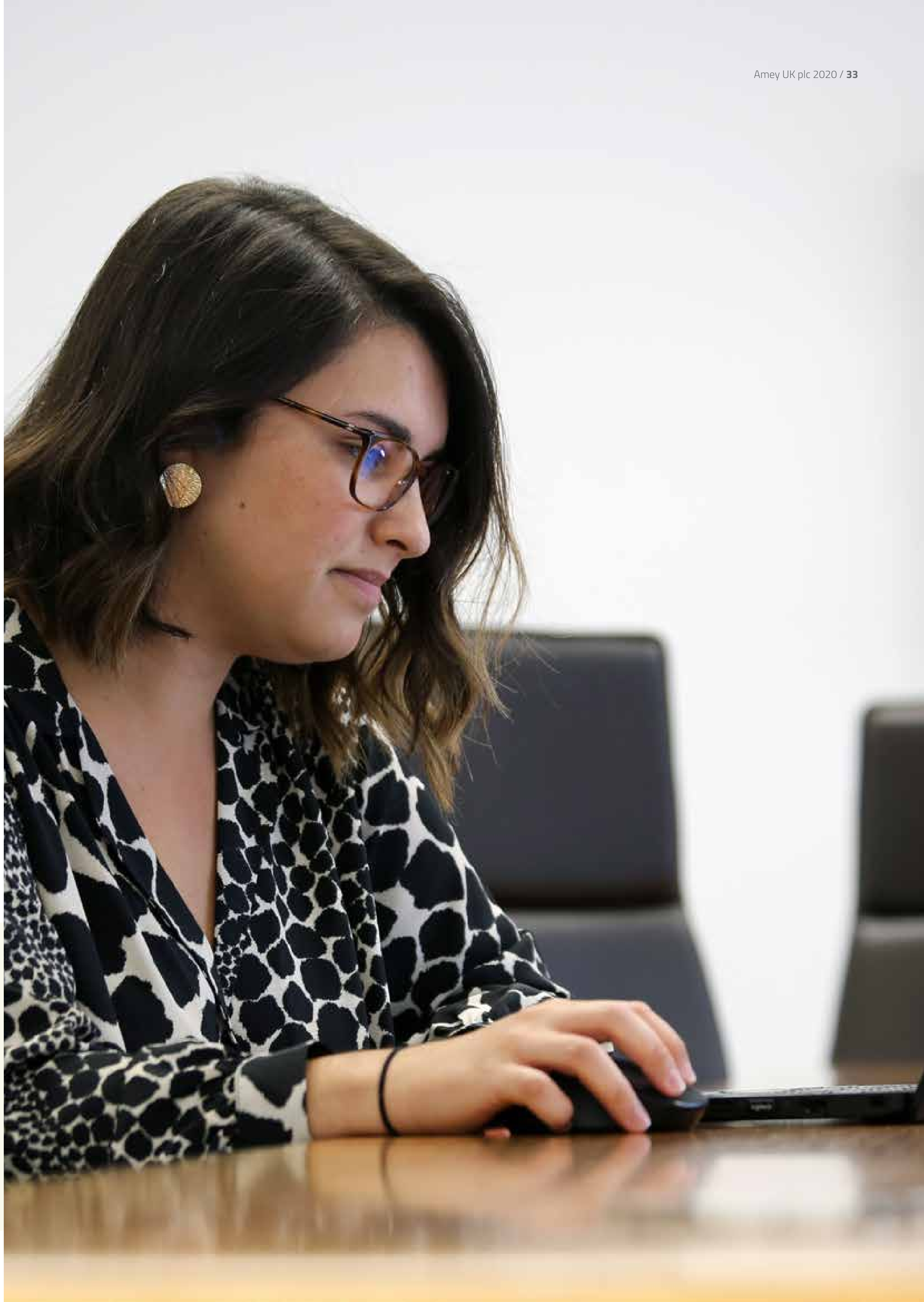
The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Directors as to disclosure of information to auditor

In accordance with the provisions of s418 of the Companies Act 2006, each of the Directors at the date of approval of this report confirms 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 of the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This Report was approved and authorised for issue by the Board of Directors on 28 May 2021.
Signed on behalf of the Board by:

Jayne Bowie
Company Secretary
28 May 2021



Financial Statements

Independent auditor's report to the members of Amey UK plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Amey UK plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the Group income statement;
- the Group statement of comprehensive income;
- the Group and Parent Company balance sheets;
- the Group and Parent Company statements of changes in equity;
- the Group cash flow statement; and
- the related notes 1 to 49.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included our assessment of the:

- financing facilities including nature of facilities, repayment terms and covenants;
- linkage to business model and medium-term risks;
- assumptions used in the forecasts;
- amount of headroom in the forecasts (cash and covenants);
- sensitivity analysis;
- sophistication of the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management; and
- provision of ultimate parent company support.

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 Group's and Parent 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.

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.

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 within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the 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.

In the light of the knowledge and understanding of the Group and of the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.

Peter Gallimore FCA (Senior Statutory Auditor) for and on behalf of Deloitte LLP
Statutory Auditor,
London, United Kingdom
28 May 2021

Group income statement for the year ended 31 December 2020

	Note	**Before exceptional items 2020 £'000**	**Exceptional items (note 4) 2020 £'000**	**Total 2020 £'000**	Before exceptional items 2019 *(re-presented)* £'000	Exceptional items (note 4) 2019 *(re-presented)* £'000	Total 2019 *(re-presented)* £'000
Continuing operations:							
Total revenue		**2,402,191**	**4,632**	**2,406,823**	2,546,710	-	2,546,710
Less: share of revenue of joint ventures		**(265,697)**	**-**	**(265,697)**	(270,752)	-	(270,752)
Group revenue	3	**2,136,494**	**4,632**	**2,141,126**	2,275,958	-	2,275,958
Cost of sales		**(2,082,788)**	**(57,809)**	**(2,140,597)**	(2,210,831)	13,773	(2,197,058)
Gross profit (loss)		**53,706**	**(53,177)**	**529**	65,127	13,773	78,900
Administration expenses		**(88,030)**	**-**	**(88,030)**	(100,478)	-	(100,478)
Share of profit after tax of joint ventures	3	**4,969**	**-**	**4,969**	14,006	-	14,006
Profit (loss) on disposal of investments		**-**	**2,163**	**2,163**	(33)	-	(33)
Impairment of assets		**-**	**(11,360)**	**(11,360)**	-	(71,794)	(71,794)
Operating loss	3,5	**(29,355)**	**(62,374)**	**(91,729)**	(21,378)	(58,021)	(79,399)
Finance income		**8,399**	**-**	**8,399**	9,041	-	9,041
Finance costs		**(14,642)**	**-**	**(14,642)**	(26,544)	(12,338)	(38,882)
Net finance expense	8	**(6,243)**	**-**	**(6,243)**	(17,503)	(12,338)	(29,841)
Loss before tax		**(35,598)**	**(62,374)**	**(97,972)**	(38,881)	(70,359)	(109,240)
Tax charge	9	**(7,561)**	**-**	**(7,561)**	(17,243)	8,435	(8,808)
Loss after tax from continuing operations		**(43,159)**	**(62,374)**	**(105,533)**	(56,124)	(61,924)	(118,048)
Profit (loss) from discontinued operations, net of tax	2	**2,672**	**-**	**2,672**	(7,124)	-	(7,124)
Impairment provision, net of tax	2	**-**	**-**	**-**	-	(91,989)	(91,989)
Net profit (loss) after tax from discontinued operations		**2,672**	**-**	**2,672**	(7,124)	(91,989)	(99,113)
Loss after tax for the year		**(40,487)**	**(62,374)**	**(102,861)**	(63,248)	(153,913)	(217,161)
Attributable to:							
Equity holders of the Company				**(72,885)**			(186,340)
Non-controlling interests				**(29,976)**			(30,821)
				(102,861)			(217,161)

Comparative information has been re-presented for discontinued activities (see note 1(c)).

The notes on pages 43 to 103 form part of these Group financial statements.

Group statement of comprehensive income for the year ended 31 December 2020

	Note	**2020 £'000**	2019 £'000
Loss after tax for the year		**(102,861)**	(217,161)
Other comprehensive expense			
Items not subject to recycling:			
Actuarial losses and adjustments on pension schemes	23	**(55,500)**	(12,402)
Deferred tax on pension schemes	9	**16,302**	2,108
Items subject to recycling:			
Loss on change in fair value of derivatives	17	**(1,192)**	(797)
Deferred tax on derivatives	9	**580**	136
Share of joint ventures' other comprehensive (expense) income			
- loss on change in fair value of derivatives	15	**(663)**	(480)
- deferred tax on derivatives		**231**	82
- derivatives recycled through profit and loss	15	**-**	7,581
- deferred tax on recycled amounts		**-**	(1,289)
Other comprehensive expense for the year after tax		**(40,242)**	(5,061)
Total comprehensive expense for the year		**(143,103)**	(222,222)
Attributable to:			
Equity holders of the Company		**(112,821)**	(194,267)
Non-controlling interests		**(30,282)**	(27,955)
		(143,103)	(222,222)

The notes on pages 43 to 103 form part of these Group financial statements.

Group balance sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000 *(restated)*	2018 £'000 *(restated)*
Non-current assets				
Goodwill on acquisition of subsidiary undertakings	10	**305,319**	305,319	421,490
Other intangible assets	11	**18,915**	24,655	114,830
Property, plant and equipment	12	**102,501**	57,888	52,205
Investments in joint ventures	13	**26,920**	36,386	47,002
Deferred tax assets	9	**62,706**	43,308	57,067
PFI/PPP Financial assets	14	**66,119**	-	70,165
Trade and other receivables	18	**80,671**	68,036	69,447
		663,151	535,592	832,206
Current assets				
Assets classified as held for sale and from discontinued operations	17	**72,642**	330,259	-
Inventories	19	**14,020**	6,071	21,914
PFI/PPP Financial assets	14	**1,926**	-	4,196
Derivative financial instruments		**-**	-	121
Trade and other receivables	18	**242,037**	282,719	452,196
Current tax assets		**5,038**	12,934	17,367
Cash and cash equivalents	20	**128,308**	86,322	164,330
		463,971	718,035	660,124
Total assets		**1,127,122**	1,253,897	1,492,330
Current liabilities				
Liabilities classified as held for sale and from discontinued operations	17	**(60,477)**	(350,976)	-
Trade and other payables	21	**(548,678)**	(473,907)	(693,351)
Ferrovial, S.A. group loans	21	**(32,590)**	(253,661)	(80,000)
Current tax liabilities		**-**	-	(1,330)
Provisions for other liabilities and charges	24	**(43,934)**	(26,199)	(217,323)
External borrowings	22	**(42,388)**	(13,959)	(2,905)
		(728,067)	(1,118,702)	(994,909)
Non-current liabilities				
Trade and other payables	21	**(7,593)**	(5,172)	(5,725)
Ferrovial, S.A. group loans		**-**	-	(319,107)
Derivative financial instruments		**(18,833)**	-	(16,965)
Deferred tax liabilities	9	**(32,204)**	(11,978)	(34,541)
Retirement benefit obligations	23	**(49,093)**	(11,788)	(13,512)
Provisions for other liabilities and charges	24	**(110,018)**	(59,102)	(86,016)
External borrowings	22	**(98,507)**	(102,201)	(54,379)
		(316,248)	(190,241)	(530,245)
Total liabilities		**(1,044,315)**	(1,308,943)	(1,525,154)
Net assets (liabilities)		**82,807**	(55,046)	(32,824)
Capital and reserves				
Share capital	25	**203,677**	203,677	203,677
Share premium account		**153,134**	153,134	153,134
Other reserve		**61,887**	61,887	61,887
Other equity instruments	26	**545,868**	263,032	61,198
Hedge reserve		**(6,746)**	(6,008)	(8,375)
Retained deficit		**(808,174)**	(694,211)	(495,743)
Equity attributable to equity holders of the Company		**149,646**	(18,489)	(24,222)
Non-controlling interests	27	**(66,839)**	(36,557)	(8,602)
Total equity		**82,807**	(55,046)	(32,824)

Comparative information has been restated for the reclassification of certain accrued income balances in trade and other receivables from current to non-current assets. See note 1(b) and note 18 for more information.

The notes on pages 43 to 103 form part of these Group financial statements. The financial statements on pages 38 to 111 were approved and authorised for issue by the Board of Directors on 28 May 2021 and signed on its behalf by:

A L Nelson
Director
28 May 2021

Group statement of changes in equity for the year ended 31 December 2020

	Share capital £'000	Share premium account £'000	Other reserve £'000	Other equity instrument £'000	Hedge reserve £'000	Retained deficit £'000	Non-controlling interests £'000	Total equity £'000
At 1 January 2019	203,677	153,134	61,887	61,198	(8,375)	(495,743)	(8,602)	(32,824)
Second issue of Other equity instrument (note 26)	-	-	-	200,000	-	-	-	200,000
Reserves transfer in respect of Other equity instruments	-	-	-	1,834	-	(1,834)	-	-
Loss after tax for the year	-	-	-	-	-	(186,340)	(30,821)	(217,161)
Other comprehensive income (expense)	-	-	-	-	2,367	(10,294)	2,866	(5,061)
At 31 December 2019	203,677	153,134	61,887	263,032	(6,008)	(694,211)	(36,557)	(55,046)
At 1 January 2020	**203,677**	**153,134**	**61,887**	**263,032**	**(6,008)**	**(694,211)**	**(36,557)**	**(55,046)**
Third issue of Other equity instrument (note 26)	**-**	**-**	**-**	**169,000**	**-**	**-**	**-**	**169,000**
Fourth issue of Other equity instrument (note 26)	**-**	**-**	**-**	**111,956**	**-**	**-**	**-**	**111,956**
Reserves transfer in respect of Other equity instruments	**-**	**-**	**-**	**1,880**	**-**	**(1,880)**	**-**	**-**
Loss after tax for the year	**-**	**-**	**-**	**-**	**-**	**(72,885)**	**(29,976)**	**(102,861)**
Other comprehensive expense	**-**	**-**	**-**	**-**	**(738)**	**(39,198)**	**(306)**	**(40,242)**
At 31 December 2020	**203,677**	**153,134**	**61,887**	**545,868**	**(6,746)**	**(808,174)**	**(66,839)**	**82,807**

The Other reserve relates to a capital contribution made by Ferrovial Servicios, S.A., a fellow group undertaking, in 2003.

The notes on pages 43 to 103 form part of these Group financial statements.

Group cash flow statement for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Operating activities			
Cash flows generated (absorbed) by operating activities	28	**57,936**	(171,639)
Income tax received (paid)		**12,261**	(7,407)
		70,197	(179,046)
Cash flows from investing activities			
Additions of property, plant and equipment		**(2,402)**	(9,616)
Additions of other intangible assets		**-**	(86)
Disposal of property, plant and equipment and other intangible assets		**834**	6,074
Acquisition of equity in and loan advances made to joint ventures		**(7,719)**	(3,790)
Repayment of loan advances made to joint ventures		**28**	708
Disposal of investments, cash received (see note 4)		**1,206**	10,500
Interest received		**4,334**	4,694
Dividends received from joint ventures		**5,576**	9,708
		1,857	18,192
Cash flows from financing activities			
Advances of bank loans		**22,000**	64,000
Repayment of bank loans		**(64,730)**	(642)
Movements on loans with Ferrovial, S.A. subsidiary undertakings		**(254,814)**	(111,809)
Repayment of finance leases		**(20,316)**	(20,987)
Interest paid		**(13,653)**	(27,227)
Proceeds from issue of Other equity instruments		**280,956**	200,000
		(50,557)	103,335
Net increase (decrease) in cash and cash equivalents		**21,497**	(57,519)
Cash and cash equivalents at 1 January		**106,811**	164,330
Cash and cash equivalents at 31 December		**128,308**	106,811
Cash and cash equivalents held as part of assets held for sale	17	**-**	20,489
Cash and cash equivalents held in remainder of the Group	20	**128,308**	86,322
Cash and cash equivalents at 31 December		**128,308**	106,811

Included in the Group cash flow statement above are the following totals in respect of discontinued operations:

	2020	2019
Cash flows from operating activities	**(6,086)**	(548)
Cash flows from investing activities	**(1,742)**	(8,703)
Cash flows from financing activities	**(2,808)**	(2,467)

The notes on pages 43 to 103 form part of these Group financial statements.

Notes forming part of the Group financial statements for the year ended 31 December 2020

1 Accounting policies

These consolidated financial statements have been prepared on a going concern basis using the historic cost convention as modified for the fair value of non-current assets held for sale, pension liabilities and financial instruments. The suitability of the going concern basis is considered in the Report of the Directors and in paragraph (c) below.

The significant accounting policies applied in preparing the consolidated financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), in conformity with the requirements of the Companies Act 2006. The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee (IFRIC), in conformity with the requirements of the Companies Act 2006, relevant to its operations and effective for accounting periods beginning 1 January 2020.

(b) Restatement of comparative information

Following review of the ageing profile of trade and other receivables in one contract, the Group has restated comparative balance sheet information to correct for a material misclassification of amounts recoverable on contracts between non-current and current assets. Accordingly, non-current trade and other receivables at 31 December 2019 have increased by £42.0 million from £26.0 million to £68.0 million (31 December 2018: by £39.1 million from £30.4 million to £69.4 million). Current trade and other receivables have reduced by £42.0 million from £324.7 million to £282.7 million (31 December 2018: by £39.1 million from £491.3 million to £452.2 million). This restatement has no impact on the previously reported results of the Group or on the reported total assets and net liabilities.

(c) Discontinued operations

At 31 December 2020, the Directors have assessed the progress and status of the sale processes undertaken in 2020 for the three Cash Generating Units (CGUs) which were held for sale at 31 December 2019. They have confirmed a change to plans based on the feedback received on those processes and they also consider that paragraphs 6 to 8 of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are no longer met for certain contracts, assets and liabilities of those perimeters:

- In the Environmental Services Treatment CGU, the process of the sale has not driven the expected appetite in the market and, consequently, the Group is now re-assessing the strategy to follow going forward.
- In the Environmental Services Collection CGU, agreements have been reached on 28 February 2021 and 31 March 2021 to sell certain contracts but retaining part of their assets and liabilities at the transaction date. Additionally, there are two contracts that have been excluded from the perimeter of the sale as there were no relevant interest received from the market on them.
- In the Utilities CGU, the sale process has progressed for the Water business and is still ongoing. Certain other assets and liabilities are now being retained in the Power and Metering business area.

Based on the above, the only relevant segment which remains held for sale at 31 December 2020 is the Utilities Water CGU.

As a result, the Group has ceased to classify as held for sale the components excluded in the previous paragraphs, so the results of operations of those components previously presented in discontinued operations in accordance with paragraphs 33 to 35 of IFRS 5 have been reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods have also been re-presented.

The remaining assets held for sale are valued at the lower of their book value and their fair value less cost of sale. The Group has measured the fair value of the business divisions held for sale and no change in value has been recorded in 2020 in relation to the assets and liabilities of that business CGU (see notes 2 and 17).

The assets and liabilities previously classed as held for sale, but which have ceased to be so classified in 2020, have now reverted to their regular balance sheet headings. No further adjustments to fair values have been required and all assets have been depreciated and amortised in accordance with the requirements of paragraph 27 of IFRS 5.

1 Accounting policies *(continued)*

(d) Going concern

The Group is financed through a mixture of shareholder equity, other equity instruments issued to Ferrovial companies, intercompany debt from Ferrovial companies, finance leases, non-recourse project-related bank term loans, other bank loans and overdrafts. Details of all bank loans and their maturity are set out in note 22 to the financial statements whilst details of finance risks are set out in note 15.

The Group's key external banking facilities are five bilateral facility agreements of £32 million with each of HSBC Bank plc, Lloyds Bank plc, Royal Bank of Canada, The Royal Bank of Scotland plc and Santander. These agreements total £160 million with £32 million maturing in July 2021 and £128 million maturing in July 2022. A subsidiary company of the Group also has an additional facility of £23 million with The Royal Bank of Scotland plc which matures in June 2021.

At 31 December 2020, all £160 million of the bilateral facilities were undrawn and the Group also held £71 million of unrestricted cash on the Group balance sheet with £22 million of other bank loans drawn down. In February 2021, the Group concluded its discussion with its lenders to replace the £32 million loan expiring in July 2021 with new loans totalling £40 million expiring in July 2022. Additionally, with effect on 31 December 2020, shareholder loans of £85 million were extinguished as part of a further recapitalisation of the Group for additional total equity of £112 million.

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

- the future business plans of the Group (comprising the results for 2020 and the draft budget and strategic plan for 2021 to 2025);
- the availability of core and ancillary financing facilities including those provided by Ferrovial;
- the compliance with the related net debt/EBITDA banking covenant which must remain under 3.00x;
- the projected drawn positions and headroom available on the core committed financing facilities; and
- the projected future cash flows of the Group comprising:
    - a Base Case forecast built up from the budget for 2021; and
    - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case

The RWC forecast looks at the following key sensitivities:

- a reduction to the Group's EBITDA of £24 million in 2021 and £33 million in 2022 to reflect the ongoing volatility in the UK trading performance and sector dynamics;
- additional sensitivity around the timing of receipts;
- assumption allowing for a further reduction in the number of days outstanding of trade payables;
- a significant delay in the dates budgeted for the sale of the non-core businesses; and
- repayment of £23 million of the Group's banking facilities in June 2021.

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

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

1 Accounting policies *(continued)*

(d) Going concern *(continued)*

The Board has also considered the implications behind the ongoing strategic decision of Ferrovial to divest its Services portfolio, reconfirmed in February 2021. This decision does not impact Amey's day-to-day operations and, in any event, as the Group does not rely on Ferrovial contractual guarantees there are no implications to the ongoing trading operations of the Group after a sale. The impact on our financing arising from a change of control would be as follows:

- Our external facilities totalling £168 million may become due for repayment subject to the change of control requirements which require the buyer to be of equivalent credit rating to our ultimate parent company; and

- The £45 million consideration still outstanding to Amey Birmingham Highways Limited would be immediately payable under the terms of the settlement agreement with them.

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

- Ferrovial's chief executive has stated and reconfirmed in February 2021 that Ferrovial will only sell Amey for full value. The implication of this is that the successful buyer would stand to lose its full investment if it had not arranged for suitable refinancing, waivers or alternative plans for the business to enable it to continue trading. The Board believes, based on evidence gained during the sale process in 2019, that a sale to a buyer that could not demonstrate its capability to ensure Amey remains appropriately funded to be highly improbable and the Board therefore expects Amey to be a going concern, with suitable financing after such sale;

- Since the previous set of financial statements there has been ongoing dialogue between the board members of Amey and board members and senior executives of Ferrovial. These conversations give the Board comfort that Ferrovial is committed to an orderly sale process to a reputable buyer with appropriate financial standing. Ferrovial's actions, such as the recent conversion of additional debt to equity have been evidence of Ferrovial's support to Amey and consistent with these verbal assurances. Given the 20-year association between Ferrovial and Amey, the £160 million of additional funding in the last three years, the existing investments that Ferrovial has in the UK outside of Amey and Ferrovial's strong social and business values, the Board consider it to be highly improbable that Ferrovial would jeopardise its reputation by undertaking a fire-sale at undervalue; and

- Ferrovial is fully aware of the powers of the trustees under the governing documents of the defined benefit pension schemes and of the regulatory regime operated by the Pension Regulator and would have regard, as appropriate, to factors relating to the defined benefit pension schemes on any sale.

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

1 Accounting policies *(continued)*

(e) New accounting standards

(i) Other new standards, amendments and interpretations adopted by the United Kingdom and mandatorily applicable for the first time in 2020

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

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

No significant impact on the Group's consolidated financial statements has been identified because of these additional standards and amendments.

(ii) New standards, amendments and interpretations mandatorily applicable in annual reporting periods after 2020

The other new standards, amendments and interpretations approved by the IASB and approval status for use in the United Kingdom at 31 December 2020 and which are not expected to have an impact for the Group are as follows:

New standards, amendments and interpretations		Date applicable from	Approval status
Amendments to IFRS 16	COVID-19- Related Rent Concessions	30 June 2020	Approved
Amendments to IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform	1 January 2021	Approved
Amendment to IAS 37	Onerous contracts	1 January 2022	Not approved
Annual improvements	2018 – 2020 cycle	1 January 2022	Not approved
Amendment to IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022	Not approved
Amendment to IFRS 3	Conceptual framework	1 January 2022	Not approved
IFRS 17	Insurance contracts	1 January 2023	Not approved
Amendment to IAS 1	Classification of liabilities as current or non-current	1 January 2023	Not approved
Amendments to IFRS 10 and IAS 8	Sale or contribution of assets between investor and its associate or joint ventures	Deferred indefinitely	Not approved

The Group will not adopt these new standards, amendments and interpretations early for the year ended 31 December 2020 but will adopt them in line with the commencement date stated above.

(f) Basis of consolidation

The Group financial statements include the financial statements of Amey UK plc and its subsidiary undertakings using uniform accounting policies and exclude all intra-group transactions and balances. The results of subsidiary undertakings acquired during the year are consolidated from the date on which control in the subsidiary undertaking passed to the Group. The results and cash flows of subsidiary undertakings which have been disposed of are consolidated up to the date control was lost. Where subsidiary undertakings do not adopt accounting periods that are coterminous with the Group's, their results and net assets are based on interim financial statements drawn up to the Group's accounting reference date. The profit attributable to members of the Company is stated after deducting the proportion attributable to non-controlling shareholders.

1 Accounting policies *(continued)*

(g) Critical accounting estimates and judgements

In the consolidated financial statements for 2020, estimates have been made to measure certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate to the following:

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

(ii) The assessment of possible legal contingencies

(iii) Estimates regarding the valuation of derivatives and the expected flows associated with them in order to determine the existence of hedging relationships

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

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

(vi) The assumptions used in the actuarial calculation of pension and other obligations to employees and inherent estimation uncertainty arising from predicting levels of mortality and inflation/discounting assumptions

(vii) The recognition for accounting purposes of the subordinated guaranteed hybrid loan as an Other equity instrument (see note 26)

(viii) Estimates relating to the fair value of assets and liabilities held as part of assets and liabilities held for sale in note 17 including the application of the accounting policy choice not to recognise any write down that exceeds the carrying amounts of non-current assets. The assessment that the Disposal Groups should be classified as 'Held for Sale' is a critical accounting judgement in itself and has been taken based on the disclosure provided in note 17 that means we are satisfied at the balance sheet date that the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such disposal groups and that their sale is highly probable. In making this assessment, we have relied upon the work of our M&A and legal advisors who have been advising on these transactions.

Although these estimates were made on the basis of the best information available at 31 December 2020 on the events analysed, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

1 Accounting policies *(continued)*

(g) Critical accounting estimates and judgements *(continued)*

Key sources of estimation uncertainty

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

Held for sale assets

The fair value of the Utilities Water business which remains held for sale has been based on binding offers received from the interested parties and has been adjusted by the net debt and other adjustments which could be considered to give rise to an adjustment to debt.

For Utilities, the judgement is sensitive to the estimate of EBITDA for 2021 and the performance which will be achieved on existing contracts in the first year of the Asset Management Plan 7 (AMP7) period as an indicator of future performance and the multiple used to apply to this EBITDA.

The fair value of the Utilities Water division has been calculated at £12 million based on the binding offers received which are all based on EBITDA multiple.

Contract loss provisioning assessment

The assessment of future contract profitability especially for contracts within the Environmental Services and Highway divisions is a key judgement when considering if contract loss provisions should be established. On a number of contracts, the level of profitability is marginal meaning a small change in future performance could trigger the need for the recognition of a future contract loss. In addition, these considerations have to be made over very long periods up to 30 years reflective of the length of contracts agreed on long-term PFI arrangements in the Highways and Waste Treatment sector together with long-term collection contracts and therefore relatively low levels of annual losses can have a potentially material impact if these are deemed likely to recur over the contract life.

Following the exit from the Birmingham City Council Highways PFI contract, the Group has one other significant long-term PFI contract in the Highways sector. This is currently loss-making but cost actions within the Group's control are anticipated to return this contract to profitability in the next three years. Linked to this assessment is the recoverability of material amounts performed under the terms of the contract for which payment is scheduled over the contract life. A future loss provision of £10.0 million has been recognised in 2020 under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) on this contract (see notes 4 and 24).

The Collections business presents structurally difficult conditions due to the fragmented base of local authorities and low margins due to the low value-added nature of the market. Certain contracts are currently loss making with measures to turnaround or exit these contracts being taken in the short term. Future loss provisions have been recognised under IAS 37 in previous years. These are sensitive to the achievement of the profit improvement plans being successful. Only the impact of those plans which have been implemented at the balance sheet date have been included within the assessment of future contract performance.

Treatment plants can be impacted by operational issues due to the new technology being implemented where additional spend may be needed to ensure the plants are commissioned in line with committed deadlines. Assessment needs to be made whether these costs are recoverable against the future profits the plants are expected to generate when they are operational. A future loss provision of £49.6 million has been recognised in 2020 under IAS37 on two of the treatment plants (see notes 4 and 24).

In addition, future contract losses provisions were recognised in previous years in the continuing business primarily relating to the discounted exit settlement payments on the Birmingham City Council Highways PFI Contract of £40.5 million together with an £8.5 million provision for settlement of a contract dispute with a Ferrovial owned company (see notes 4 and 24).Both amounts are fixed based on settlement agreements.

Intangible asset impairments

As described in note 1(c), in February 2020 the Group restructured its business divisions with the split of Consulting and Rail into two separate lines. Since that date, Consulting became a standalone division and Rail was merged with Highways division to become the new Highways and Rail division. The goodwill allocated to the former Consulting and Rail division at that date of £218.6 million) was allocated based on the relative values of each line of business at that time it originally arose. As a result of that exercise, the goodwill allocated to the Consulting division was £178.8 million with £39.8 million allocated to the Rail division.

The Directors consider the recoverable amount of goodwill allocated to these individual divisions to be most sensitive to the level of gross margin that can be achieved on existing and new contracts within these division. Budgets comprise forecasts of revenue, staff costs and overheads based on current and anticipated market conditions that have been considered and approved by the Board.

1 Accounting policies *(continued)*

(g) Critical accounting estimates and judgements *(continued)*

Key sources of estimation uncertainty *(continued)*

Intangible asset impairments (continued)

We have considered our order book, our historical bid success rates, the volume of work and associated margins in previous Control Periods and our Contract Delivery Scores in developing and challenging our budget and strategic plan for the division. We enter 2021 with a high degree of confidence in future revenues due to our presence in several key frameworks where revenue growth has already been committed, notably TransPennine Upgrade and Wales and Borders Infrastructure. This will lessen our reliance on individual one off-projects and improve the quality of our gross margins going forward.

Within the Utilities and Rail sectors, in particular, outcomes are often dependent on the assumptions made in respect of final accounting at the end of the contract. In line with our revenue policy below on contract modifications, claims and disputes, certain revenues will not be recognised but the estimation of the final contract outcome remains an uncertainty impacting on the level of profit recognised.

(h) Other principal accounting policies

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the target and the equity interest issued by the Group in exchange for control of the target. Acquisition-related costs are recognised in the income statement when incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed, are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) are measured in accordance with that standard.

Discontinued operations

Discontinued operations are those that have been sold or otherwise disposed of or have been classified as held for sale and represent a full segment for the consolidated Group, or form part of a single plan or relate to a subsidiary acquired solely for resale. The results generated from discontinued operations, both for the current financial year, as well as those presented alongside it, are presented in a specific line in the income statement after tax, with the total comprising the follow amounts: result after tax of the activities of discontinued operations and the result after tax recognised for the fair value measurement.

Assets held for sale

Assets or disposal groups are reclassified as assets held for sale if it is considered that their carrying amount will be recovered when sold, rather than via continuing use. This condition is only met when where they are available for immediate sale in their current condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and the sale is highly probable. The total of these assets is registered on one line and valued at the lower value of their carrying amount and their fair value, less the costs to sell. They are not subject to depreciation from the moment they are reclassified as held for sale. The contribution of these assets to the Group's consolidated results is registered in the income statement, classified by type. An entity that is committed to a sale plan that entails the loss of control of a subsidiary will classify all of that subsidiary's assets and liabilities as held for sale when the requirements indicated in the previous paragraph are met, irrespective of whether or not the entity retains a non-controlling interest in its former subsidiary following the sale.

The impairment loss recognised for a disposal group may reduce the carrying amount of the non-current assets in the group. In certain cases, the impairment loss identified for a disposal group may exceed the carrying amount of the scoped-in non-current assets within that disposal group. IFRS 5 does not provide any guidance regarding how to account for this excess and a number of approaches might be possible. Accordingly, as an accounting policy choice, to the extent that the write-down exceeds the carrying amount of scoped-in non-current assets, that excess has not been recognised at all.

The fair value of the Utilities Water business which remains held for sale has been estimated based on the non-binding offers received which is based on an EBITDA multiple. This valuation has been adjusted by the net debt and other adjustments which could be considered to give rise to an adjustment to debt.

The net assets are valued as held for sale as follows:

Utilities Water	£12 million

1 Accounting policies *(continued)*

(h) Other principal accounting policies *(continued)*

Goodwill

Goodwill, being the excess of the fair value of the purchase consideration over the fair value of the identifiable net assets of a subsidiary undertaking, is capitalised on the date that control is acquired. Goodwill is not amortised but is tested for impairment at least annually with goodwill allocated against each of the Group's cash-generating units (CGU). If the recoverable amount of a CGU is less than the carrying amount, the impairment loss is allocated first to the allocated goodwill and then to other assets pro-rata to the carrying amount of each asset in the CGU. Any impairment loss recognised is not reversed in a subsequent period.

Other intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less amortisation on a straight-line basis and less accumulated impairment losses. Other acquired intangible fixed assets are included in the balance sheet at cost less accumulated impairment losses and amortised over their useful economic finite lives on a straight-line basis.

Amortisation is included in cost of sales in the income statement. Details of the amortisation rates used are included in the note on other intangible assets.

Joint ventures where the Group exercises joint control

In accordance with IFRS 11 (Joint Arrangements), joint ventures are included in the financial statements under the equity method of accounting. The results of stakes in joint ventures acquired are included from the date on which the Group acquires joint control in the joint venture, or until the date on which the Group disposes of its joint control in the joint venture.

In accordance with IAS 28 (Investments in Associates), the Group limits the recognition of share of joint venture losses where those losses exceed the investment made in those joint ventures and no obligation arises on the investor to make good those losses. Any losses recognised are held as a provision on the balance sheet.

The results, assets and liabilities of joint ventures are stated in accordance with Group accounting policies. Where joint ventures do not adopt Group accounting policies, their reported results, assets and liabilities are restated to comply with Group accounting policies. Where joint ventures do not adopt accounting periods that are coterminous with the Group's, their results and net assets are based on interim financial statements drawn up to the Group's accounting reference date. The Group includes the share of joint venture profit after tax in its operating profit as those profits are principally operating in nature and any non-operating element is not considered material to the financial statements.

Jointly controlled operations

Where the Group executes contracts through jointly controlled operations, the Group accounts for its share of the results, assets, liabilities and cash flows using the proportional consolidation method.

Revenue

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

(i) General revenue recognition criterion

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

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

Notes forming part of the Group financial statements Annual Report and Financial Statements 2020

1 Accounting policies *(continued)*

(h) Other principal accounting policies *(continued)*

Revenue *(continued)*

(i) General revenue recognition criterion *(continued)*

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

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

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

The aim of the basis described above is to provide the most faithful depiction of the transfer of performance obligations.

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

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

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

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

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

1 Accounting policies *(continued)*

(h) Other principal accounting policies *(continued)*

Revenue *(continued)*

(iii) Variable consideration

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

(iv) Balance sheet items relating to revenue recognition

Amounts recoverable on contracts/payments received on account

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

Bidding costs and mobilisation costs

In addition to the aforementioned balance sheet balances, the Group also recognises assets relating to the costs of obtaining a contract (bidding costs) and to the costs incurred to fulfil a contract or setup costs (mobilisation costs) that are directly related to the principal contract, provided they will be recovered through performance of the contract. These balances are presented in a separate account under 'Inventories'.

Bidding costs are only capitalised when they are directly related to a contract and it is probable that they will be recovered in the future and the contract has been awarded to the Group or the Group has been selected as the preferred bidder.

Costs incurred that would have been incurred regardless of whether the contract was obtained are recognised as an expense, unless those costs are explicitly chargeable to the customer in any case (whether or not the contract is obtained). The capitalised costs are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Costs required to set up the contract, mobilisation costs, are capitalised provided that it is probable that they will be recovered in the future and that they do not include expenses that would normally have been incurred by the Group if the contract had not been obtained. They are gradually recognised as an expense on the basis of the proportion of actual output to estimated output under each contract. If the above conditions are not met, these costs are taken directly to profit or loss.

(v) Provisions relating to contracts with customers

The main provisions relating to contracts with customers are provisions for deferred expenses and for budgeted losses.

- Provisions for deferred expenses. These provisions cover the expenses that will foreseeably arise on completion of a contract as well as the estimated repairs to be carried out within the guarantee period. These provisions relate to a present obligation stipulated in the contract that is based on the fact that in order to settle the obligation there will probably be an outflow of resources from the Group, the amount of which can be estimated reliably. Provisions are recognised on the basis of the best possible estimates of the total expenditure required to settle the obligations. They can be determined as a percentage of the total expected revenue from the contract if historical information on similar contracts is available.

  The guarantee obligations included in this type of provision are not considered to be a separate performance obligation unless the customer has the option of arranging the guarantee separately, and, accordingly, they are recognised as indicated in IAS 37 on provisions and contingent assets and liabilities.

1 Accounting policies *(continued)*

(h) Other principal accounting policies *(continued)*

Revenue *(continued)*

(vi) Provisions relating to contracts with customers *(continued)*

- Provisions for budgeted losses. These provisions are recognised as soon as it becomes evident that the total costs expected to be incurred in a contract exceed the total expected revenue from that contract. For the purpose of determining, if appropriate, the amount of the related provision, the criterion established in IAS 37.14 (c) is applied. Thus, the estimate of the total budget for the contract includes the expected revenue that is considered to be probable. This criterion is different from that established in IFRS 15, discussed above, on the basis of which such revenue is only recognised to the extent that it is deemed to be highly probable. Also, if the total expected profit on a contract is less than that recognised under the aforementioned revenue recognition rules, the difference is recognised as a provision for budgeted losses.

(vii) Financing component

In general, in order to calculate the price of a performance obligation, an implicit financing component is calculated in those cases in which the period between when the entity transfers a promised good or service to a customer and when the customer will foreseeably pay for that good or service is more than one year. This component is accounted for as finance income.

With respect to performance obligations for which the period between when the entity transfers a promised good or service to the customer and when the customer pays for that good or service is less than one year, the Group applies the practical expedient permitted by IFRS 15 and does not adjust the promised amount of consideration for the effects of a significant financing component.

In those cases in which there is a contractual or legal right to charge late-payment interest owing to the delay in collection with respect to the contractually established periods, such interest is only recognised when it is highly probable that it will actually be collected.

(viii) Sales taxes

All revenue excludes valued added tax.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. The cost of property, plant and equipment is determined in accordance with IAS 16 (Property, Plant and Equipment) and includes only those costs that are directly attributable to bringing the asset into working condition for its intended use. Other than on freehold land and on assets under construction, depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset, less its estimated residual value, evenly over its expected useful life, as follows:

Long leasehold and short leasehold property	lease term
Plant and machinery	5% to 33% per annum

The Group reviews the carrying value of property, plant and equipment in the light of developments in its business and makes provision for any impairment in value as the need arises.

Finance costs have not been capitalised as the Group does not have any qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Inventories

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

Service concession arrangements

PFI/PPP revenue is accounted for using the financial asset model, where it has been determined that the Group has an unconditional right to receive cash for the construction or upgrade service. Revenue is determined by the fair value of consideration received or receivable in respect of goods and services provided in the same way as for other long-term contracts. Revenue is adjusted for the expected payment date at the time of providing the services in accordance with the principles of IAS 39 (Financial Instruments: Recognition and Measurement). The amounts recoverable from the capital enhancement element of PFI/PPP contracts are shown separately on the face of the balance sheet as PFI/PPP Financial assets.

1 Accounting policies *(continued)*

(h) Other principal accounting policies *(continued)*

Deferred tax

Deferred tax is recognised on all temporary differences where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred tax assets are recognised when it is more likely than not that they will be recovered in the foreseeable future. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date and that are expected to apply in the period when the liability is settled or the asset realised.

Leasing and hire purchase contracts

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

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

Trade payables

Amounts owing under supply chain finance arrangements are included within trade payables rather than bank debt. The purpose of supply chain finance is purely to grant subcontractors and suppliers access to credit and improve their cashflows. The designation in trade payables is due to the assignment of invoice rather than a novation, with the Group acting as an agent with fees related to supply chain finance being borne by the supplier and the final payment date to the bank being set by the Group with interest accrued for any late payments.

Pension costs – defined benefit schemes

The Group accounts for pension costs in accordance with IAS 19.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return that the Directors consider would be available on a high-quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The net return on the scheme assets and the increase during the year in the present value of the scheme liabilities arising from the passage of time is included in finance costs. The Group recognises actuarial gains and losses directly in other comprehensive income and these are therefore shown in the statement of comprehensive income (SOCI).

Pension scheme deficits or surpluses, to the extent that they are considered payable or recoverable, are recognised in full and presented on the face of the balance sheet.

Pension costs – defined contribution schemes

The amount recognised in the income statement is equal to the contributions payable to the schemes during the year.

Share-based payments

Share award plans are measured initially using the value of the share price at that time of award after discounting for the present value of expected dividends during the maturity period. This value is recognised in staff costs over the period of the award.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement as part of finance costs.

1 Accounting policies *(continued)*

(h) Other principal accounting policies *(continued)*

Financial instruments

Recognition and de-recognition

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

Classification and initial measurement of financial assets

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

Subsequent measurement of financial assets

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

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

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

Impairment of financial assets

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

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

1 Accounting policies *(continued)*

(h) Other principal accounting policies *(continued)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

(a) *Trade and other receivables* - trade receivables are originally recognised at fair value, and then subsequently measured at amortised cost less an allowance for expected credit losses. The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Group uses historical experience, external indicators and forward-looking information to calculate the expected credit losses. The Group assesses impairment of trade receivables on a collective basis. Where they possess shared credit risk characteristics, they have been grouped based on industry sector global default rates.

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

Classification and measurement of financial liabilities

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

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

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

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

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

1 Accounting policies *(continued)*

(h) Other principal accounting policies *(continued)*

Financial instruments *(continued)*

Classification and measurement of financial liabilities (continued)

(d) *Fair value hedge* - all hedging relationships that were hedging relationships under IAS 39 at the 31 December 2018 reporting date meet the IFRS 9's criteria for hedge accounting at 1 January 2019 and are therefore regarded as continuing hedging relationships. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value gains and losses on any underlying hedged items that are part of a fair value hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the EIR method is used is amortised in the income statement over the period to maturity.

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

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits with banks. Bank overdrafts are shown within borrowings in current liabilities.

Exceptional items

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

2 Loss from discontinued operations

As stated in note 1(c), the Directors have assessed the progress and status of the sale processes undertaken in 2020 for the three Cash Generating Units (CGUs) which were held for sale at 31 December 2019. They have confirmed a change to plans based on the feedback received on those processes and they also consider that paragraphs 6 to 8 of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are no longer met for certain contracts, assets and liabilities of those perimeters:

- In the Environmental Services Treatment CGU, the process of the sale has not driven the expected appetite in the market and, consequently, the Group is now re-assessing the strategy to follow going forward.
- In the Environmental Services Collection CGU, agreements have been reached on 28 February 2021 and 31 March 2021 to sell certain contracts but retaining part of their assets and liabilities at the transaction date. Additionally, there are two contracts that have been excluded from the perimeter of the sale as there were no relevant interest received from the market on them.
- In the Utilities CGU, the sale process has progressed for the Water business and is still ongoing. Certain other assets and liabilities are now being retained in the Power and Metering business area.

Based on the above, the only relevant segment which remains held for sale at 31 December 2020 is the Utilities Water CGU.

As a result, the Group has ceased to classify as held for sale the components excluded in the previous paragraphs, so the results of operations of those components previously presented in discontinued operations in accordance with paragraphs 33 to 35 of IFRS 5 have been reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods have also been re-presented.

The remaining assets held for sale are valued at the lower of their book value and their fair value less cost of sale. The Group has measured the fair value of the business divisions held for sale and no change in value has been recorded in 2020 in relation to the assets and liabilities of that business CGU (see notes 2 and 17) (2019: goodwill impairment of £92.0 million).

The following table gives a breakdown by item of the discontinued operations, including the impact of impairment adjustments:

	Discontinued operations 2020 £'000	**Impairment adjustment (see note 4) 2020 £'000**	**Total 2020 £'000**	Discontinued operations *(re-presented)* 2019 £'000	Impairment adjustment (see note 4) *(re-presented)* 2019 £'000	Total *(re-presented)* 2019 £'000
Group revenue	**201,005**	**-**	**201,005**	186,806	-	186,806
Cost of sales	**(188,203)**	**-**	**(188,203)**	(184,560)	-	(184,560)
Gross profit	**12,802**	**-**	**12,802**	2,246	-	2,246
Administration expenses	**(11,375)**	**-**	**(11,375)**	(8,063)	-	(8,063)
Impairment of non-current assets	**-**	**-**	**-**	-	(91,989)	(91,989)
Operating profit (loss)	**1,427**	**-**	**1,427**	(5,817)	(91,989)	(97,806)
Finance income	**154**	**-**	**154**	136	-	136
Finance expense	**(476)**	**-**	**(476)**	(894)	-	(894)
Net finance expense	**(322)**	**-**	**(322)**	(758)	-	(758)
Profit (loss) before tax	**1,105**	**-**	**1,105**	(6,575)	(91,989)	(98,564)
Tax credit (charge)	**1,567**	**-**	**1,567**	(549)	-	(549)
Net profit (loss) after tax from discontinued operations	**2,672**	**-**	**2,672**	(7,124)	(91,989)	(99,113)

Comparative information has been re-presented for the revised scope of discontinued activities (see note 1(c) and paragraphs above).

The net loss after tax from discontinued operations was attributable solely to equity holders of the Company and none was attributable to non-controlling interests.

3 Divisional analysis

The Groups' divisions and their activities are described in more detail in the Strategic Review on pages 6 to 21.

At 31 December 2020, the Directors have assessed the progress and status of the sale processes undertaken in 2020 for the three Cash Generating Units (CGUs) which were held for sale at 31 December 2019. They have confirmed a change to plans based on the feedback received on those processes and they also consider that paragraphs 6 to 8 of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are no longer met for certain contracts, assets and liabilities of those perimeters:

- In the Environmental Services Treatment CGU, the process of the sale has not driven the expected appetite in the market and, consequently, the Group is now re-assessing the strategy to follow going forward.
- In the Environmental Services Collection CGU, agreements have been reached on 28 February 2021 and 31 March 2021 to sell certain contracts but retaining part of their assets and liabilities at the transaction date. Additionally, there are two contracts that have been excluded from the perimeter of the sale as there were no relevant interest received from the market on them.
- In the Utilities CGU, the sale process has progressed for the Water business and is still ongoing. Certain other assets and liabilities are now being retained in the Power and Metering business area.

Based on the above, the only relevant segment which remains held for sale at 31 December 2020 is the Utilities Water CGU.

As a result, the Group has ceased to classify as held for sale the components excluded in the previous paragraphs, so the results of operations of those components previously presented in discontinued operations in accordance with paragraphs 33 to 35 of IFRS 5 have been reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods have also been re-presented.

In February 2020, the Facilities Management and Defence division was renamed the Strategic Infrastructure division and the Consulting and Rail Division was split into two line of business: Consulting has become a standalone division and Rail has been merged with the Highways to form an enlarged division: Transport Infrastructure. Some other contracts also moved between divisions as a result of a portfolio review.

The information disclosed in this note is presented in accordance with the Companies Act 2006 and any additional information presented is on a voluntary basis only. It does not represent segment information based on IFRS 8 (Operating Segments) as the Group is exempt from the requirements of that standard.

	Group revenue 2020 £'000	**Share of joint ventures' revenue 2020 £'000**	**Total revenue 2020 £'000**	Group revenue 2019 £'000 *(re-presented)*	Share of joint ventures' revenue 2019 £'000 *(re-presented)*	Total revenue 2019 £'000 *(re-presented)*
Revenue – by division						
Continuing operations:						
Transport Infrastructure	**627,825**	**184,499**	**812,324**	762,632	185,328	947,960
Secure Infrastructure	**1,068,768**	**69,171**	**1,137,939**	947,323	73,606	1,020,929
Consulting	**119,864**	**59**	**119,923**	152,597	157	152,754
Environmental Services – Treatment	**77,430**	**6,715**	**84,145**	87,167	5,983	93,150
Environmental Services – Collections	**84,797**	**-**	**84,797**	107,226	-	107,226
Utilities – Power and Metering	**149,843**	**-**	**149,843**	207,004	-	207,004
Rest of Group and Central Services (including interdivisional eliminations)	**12,599**	**5,253**	**17,852**	12,009	5,678	17,687
	2,141,126	**265,697**	**2,406,823**	2,275,958	270,752	2,546,710
Discontinued operations:						
Utilities - Water	**201,005**	**-**	**201,005**	186,806	-	186,806
	2,342,131	**265,697**	**2,607,828**	2,462,764	270,752	2,733,516
Revenue – by geographical location						
United Kingdom	**2,332,475**	**265,697**	**2,598,172**	2,425,033	270,752	2,695,785
Rest of Europe	**6,518**	**-**	**6,518**	5,860	-	5,860
Australasia	**1,031**	**-**	**1,031**	28,265	-	28,265
North America	**2,107**	**-**	**2,107**	3,606	-	3,606
	2,342,131	**265,697**	**2,607,828**	2,462,764	270,752	2,733,516

Comparative information has been re-presented for discontinued activities (see note 1(c)).

All of the revenue above arises on contracts for the provision of services. The value of revenue recognised in the current year in respect of performance obligations satisfied in prior years was £7.3 million (2019. £8.6 million). The Group revenue for Transport Infrastructure for 2020 includes £4.6 million of exceptional revenue arising on the final exit from the Birmingham highways contract (2019: £nil) (see note 4).

3 Divisional analysis *(continued)*

	Group operating profit excluding joint ventures 2020 £'000	**Share of profit after tax of joint ventures 2020 £'000**	**Total operating profit 2020 £'000**	Group operating loss excluding joint ventures 2019 £'000 *(re-presented)*	Share of profit after tax of joint ventures 2019 £'000 *(re-presented)*	Total operating loss 2019 £'000 *(re-presented)*
Divisional operating profit (loss) – before exceptional items						
Continuing operations:						
Transport Infrastructure	**(34,137)**	**(4,255)**	**(38,392)**	(1,914)	4,250	2,336
Secure Infrastructure	**49,920**	**9,538**	**59,458**	38,468	8,871	47,339
Consulting	**14,166**	**7**	**14,173**	8,478	-	8,478
Environmental Services – Treatment	**(40,689)**	**(318)**	**(41,007)**	(33,647)	633	(33,014)
Environmental Services – Collections	**(6,855)**	**-**	**(6,855)**	(24,310)	-	(24,310)
Utilities – Power and Metering	**(15,443)**	**-**	**(15,443)**	(27,522)	-	(27,522)
Rest of Group and Central Services	**(1,286)**	**(3)**	**(1,289)**	5,063	252	5,315
	(34,324)	**4,969**	**(29,355)**	(35,384)	14,006	(21,378)
Discontinued operations:						
Utilities - Water	**1,427**	**-**	**1,427**	(5,817)	-	(5,817)
	(32,897)	**4,969**	**(27,928)**	(41,201)	14,006	(27,195)
Divisional operating profit (loss) – exceptional items (note 4)						
Continuing operations:						
Transport Infrastructure	**(18,471)**	**-**	**(18,471)**	9,773	-	9,773
Consulting	**2,163**	**-**	**2,163**	-	-	-
Environmental Services – Treatment	**(42,766)**	**-**	**(42,766)**	(36,104)	-	(36,104)
Environmental Services – Collections	**-**	**-**	**-**	(31,690)	-	(31,690)
Utilities – Power and Metering	**(3,300)**	**-**	**(3,300)**	-	-	-
	(62,374)	**-**	**(62,374)**	(58,021)	-	(58,021)
Discontinued operations:						
Utilities - Water	**-**	**-**	**-**	(91,989)	-	(91,989)
	(62,374)	**-**	**(62,374)**	(150,010)	-	(150,010)
Divisional operating profit (loss) – after exceptional items						
Continuing operations:						
Transport Infrastructure	**(52,608)**	**(4,255)**	**(56,863)**	7,859	4,250	12,109
Secure Infrastructure	**49,920**	**9,538**	**59,458**	38,468	8,871	47,339
Consulting	**16,329**	**7**	**16,336**	8,478	-	8,478
Environmental Services – Treatment	**(83,455)**	**(318)**	**(83,773)**	(69,751)	633	(69,118)
Environmental Services – Collections	**(6,855)**	**-**	**(6,855)**	(56,000)	-	(56,000)
Utilities – Power and Metering	**(18,743)**	**-**	**(18,743)**	(27,522)	-	(27,522)
Rest of Group and Central Services	**(1,286)**	**(3)**	**(1,289)**	5,063	252	5,315
	(96,698)	**4,969**	**(91,729)**	(93,405)	14,006	(79,399)
Discontinued operations:						
Utilities	**1,427**	**-**	**1,427**	(97,806)	-	(97,806)
	(95,271)	**4,969**	**(90,302)**	(191,211)	14,006	(177,205)

Comparative information has been re-presented for discontinued activities (see note 1(c)).

4 Exceptional items

The following exceptional items have been charged (credited) in the Group income statement:

	2020 £'000	2019 *(re-presented)* £'000
Continuing activities:		
Birmingham contract revenues (ii)	**(4,632)**	-
Contract loss provisions (i)	**62,855**	8,500
Birmingham contract dispute credit (ii)	**(5,046)**	(22,273)
Charged (credited) as cost of sales	**57,809**	(13,773)
Impairment of other assets (iii)	**19,931**	71,794
Reversal of prior year impairment of other assets (iv)	**(8,571)**	-
Charged as impairment of assets	**11,360**	71,794
Profit on disposal of investments (v)	**(2,163)**	-
Charged as part of operating loss on continuing activities	**62,374**	58,021
Exceptional finance cost (ii)	**-**	4,757
Recycling of derivative losses previously accounted through other comprehensive income (vi)	**-**	7,581
Exceptional tax credit (vii)	**-**	(8,435)
Total exceptional items on continuing activities	**62,374**	61,924
Discontinued activities:		
Impairment of goodwill (viii)	**-**	91,989
Charged as part of operating loss on discontinued activities	**-**	91,989
Total exceptional items on discontinued activities, net of tax	**-**	91,989
Total exceptional items	**62,374**	153,913

Comparative information has been re-presented for discontinued activities (see note 1(c)).

(i) Contract loss provisions

In 2020, the Group has provided a total of £62.9 million in respect of contracts where future losses are considered to be highly likely and unavoidable. This includes £39.8 million in respect of the Milton Keynes waste management contract, £9.8 million in respect of the Isle of Wight waste management contract, £10.0 million in respect of the Sheffield City highways maintenance contract and £3.3 million covering certain Utilities contracts not forming part of discontinued activities.

In 2019, the Group provided £8.5 million in respect of a contract liability arising in the Highways division as a result of a proposed settlement of a contract held jointly by Amey and a fellow Ferrovial group company.

(ii) Birmingham contract dispute credit

In 2018, the Group recorded an exceptional cost of £123.2 million as part of overall cost of exiting from the Birmingham City Council Highways PFI contract. In 2020, additional revenues £4.6 million arose in excess of the level of predicted activity prior to exiting the contract with reduced contract costs of £5.0 million also recorded giving a total exceptional credit for the year of £9.8 million. In 2019, the provision for the cost of exiting the contract was reduced by £22.3 million arising from the receipt of VAT not previously assumed to be recoverable and from other changes in the provision estimate. In 2019, the exceptional finance cost of £4.8 million related to the unwind of discount interest on the provision in that year. In 2020, the interest cost is no longer considered to significant enough to merit separate disclosure as exceptional.

(iii) Impairment of other assets - continuing

In 2020, the Group provided in full for £18.1 million, representing £0.4 million of shares and £17.8 million of investment loans, for impairment of all of its investment in the joint venture undertakings forming part of the Wales & Borders rail operations contract which has been severely impacted by the COVID-19 pandemic. An additional charge of £1.8 million was incurred to fully impair other assets held by the Cambridge waste collections and treatment contract.

In 2019, the Group reviewed the carrying value of assets held on certain contracts and investments. An impairment charge of £4.0 million arose in the Rail division for the anticipated under-recovery of those assets through future cash inflows.

Also, in 2019, an impairment charge of £67.8 million was recognised to reduce the carrying balance to fair value, following the strategic decision to divest the Utilities and Environmental Services Treatment and Collections business and discontinue those activities for the Group. This amount included £42.0 million in respect of other intangible assets, £1.3 million in respect of property, plant and equipment and £24.5 million in respect of receivables impairments.

4 **Exceptional items *(continued)***

(iv) Reversal of prior year impairment of other assets

In 2020, following settlement of a contractor dispute on the North Yorkshire waste collections and treatment contract, the Group was able to fully reverse the £8.6 million impairment charge incurred in 2019.

(v) Profit on disposal of investments

In 2020, the Group concluded the sale of its operations in Australia given rise to a gain on disposal of £2.2 million.

(vi) Recycling of derivative losses

In 2019, a finance cost of £7.6 million arose in discontinued activities in respect of the recycling of derivative losses previously accounted for through other comprehensive income following the classification of the derivative as part of assets/liabilities held for sale.

(vii) Exceptional tax credit

In 2020, there was no tax directly attributable to the exceptional costs due to the level of tax losses previously incurred and not fully recognised as part of the deferred tax asset.

In 2019, a tax credit of £7.1 million arose directly on the impairment of other intangible assets which arose on consolidation and a £1.3 million tax credit arose in respect of the recycling of derivative losses previously accounted for through other comprehensive income.

(viii) Impairment of goodwill – discontinued

In 2019, an impairment of £92.0 million was recognised to reduce the carrying balance of Utilities division goodwill to fair value, following the strategic decision to divest that division and discontinue that activity for the Group. No tax was attributable to this impairment.

The impact of exceptional items on the cash flow reported for the year is only in respect of the consideration received of £1.2 million (2019: £10.5 million) on the disposal of investments (which gave rise to a minimal loss in 2019).

5 **Operating loss**

For both continuing and discontinued activities this is stated after charging (crediting):

		2020 £'000	2019 £'000
Deferred income recognised in the year		**(3,943)**	(7,467)
Government grants receivable and included in revenue		**(2,943)**	(2,042)
Amortisation	- other intangible assets	**17,270**	23,943
Depreciation	- owned assets	**5,292**	7,417
	- leased assets	**21,900**	20,247
Amortisation of bid and mobilisation costs		**3,332**	3,726
Short-term and low value lease rentals	- land and buildings	**3,980**	920
	- hire of plant and machinery	**93,237**	130,452
	- IT licences and rentals	**39,799**	38,716
Cost of inventories recognised as an expense		**105,293**	140,847
Provision for credit losses arising on trade receivables (non-exceptional)		**2,314**	3,133
(Gain) loss on disposal of property, plant and equipment		**(382)**	295
Loss on disposal of joint venture investment		**-**	33
Exceptional gain on disposal of Australia operations (note 4)		**(2,163)**	-
Other operating exceptional items (note 4)		**64,537**	150,010
Auditor's remuneration	- audit of Company and Group financial statements	**663**	302
	- audit of subsidiary undertakings	**1,973**	1,364
	- audit of joint venture undertakings	**18**	7
	- audit-related assurance services	**10**	167

6 **Employees (including Directors)**

Staff costs during the year consisted of:

	2020 £'000	2019 £'000
Wages and salaries	**503,953**	535,976
Social security costs	**51,773**	50,394
Other pension costs arising on defined benefit pension schemes (note 23)	**2,851**	3,581
Defined benefit pension schemes past service credit (note 23)	**(1,857)**	-
Other pension costs arising on defined contribution pension schemes	**31,270**	29,240
	587,990	619,191

The average number of employees during the year was as follows:

	2020 Number	2019 Number
Contract-based employees	**14,622**	14,924
Management and administration	**647**	640
	15,269	15,564

7 **Directors and key management remuneration**

Remuneration in respect of Directors (who were the key management) was as follows:

	2020 £'000	2019 £'000
Short-term employee benefits	**1,420**	1,533
Company contributions to defined contribution scheme	**-**	39
Performance based Ferrovial, S.A. share-based awards	**97**	427
Total emoluments	**1,517**	1,999
Included above are the following amounts in respect of the highest paid Director:		
Emoluments	**732**	801
Company contributions to defined contribution scheme	**-**	37

In 2020, two Directors (2019: two) including the highest paid Director for both years, received benefits arising from the Ferrovial, S.A. performance-based share option scheme of which they are members. Future benefits are accruing in respect of those schemes which are dependent upon future performance (see note 35 for further information).

In addition to the amounts shown above, in 2020 the service of no Directors (2019: one) was procured indirectly through an employment agency at a cost of £nil (2019: £24,000).

In 2020, no Directors (2019: one) received compensation for loss of office totalling £nil (2019: £681,000).

During the year, one Director (2019: one) was a member of the Group's defined benefit pension scheme (which has been closed to future accrual) and two Directors (2019: two) were also members of the replacement defined contribution pension scheme to which the Company has made contributions of £nil (2019: £39,000) during the year.

Certain other Directors of the Group are paid directly by the Group's parent undertaking and are recharged to the Group as part of a general recharge of costs by those undertakings (see note 34) and included in net operating expenses.

8 Net finance expense

	2020 £'000	2019 £'000 *(re-presented)*
Finance income		
Interest receivable from bank deposits	**34**	100
Interest receivable on loans to joint ventures (note 34)	**1,552**	1,362
Interest receivable on PFI/PPP financial asset	**4,219**	4,375
Other interest and similar income	**1,052**	194
Interest receivable from Ferrovial, S.A. subsidiary undertakings (note 34)	**4**	159
Total finance income on financial assets at amortised cost	**6,861**	6,190
Foreign exchange gains	**1,538**	2,851
Total finance income	**8,399**	9,041
Finance costs		
Interest payable on borrowings	**(4,398)**	(4,315)
Interest payable on finance leases	**(2,348)**	(2,879)
Intercompany interest payable in respect of discontinued operations	**(145)**	(108)
Interest payable to Ferrovial, S.A. subsidiary undertakings (note 34)	**(3,407)**	(14,906)
Other interest and similar charges	**(1,271)**	(1,729)
Total finance costs on financial liabilities at amortised cost	**(11,569)**	(23,937)
Foreign exchange losses	**(1,586)**	(2,473)
Finance expense from defined benefit schemes (note 23)	**(45)**	(134)
Provision discount unwind finance expense (note 24)	**(1,442)**	(4,757)
Recycling of derivative losses previously accounted through other comprehensive income (note 4)	**-**	(7,581)
Total finance costs	**(14,642)**	(38,882)
Net finance expense	**(6,243)**	(29,841)

Comparative information has been re-presented for discontinued activities (see note 1(c)).

Finance income relates to items classified as loans and receivables. Derivatives that are not designated in an IAS 39 compliant hedging relationship are classified as held for trading and are measured at fair value through the income statement. Finance costs relate to items classified as other financial liabilities measured at amortised cost and also relate to the net finance cost on defined benefit pension scheme liabilities and on the unwind of interest on discounted long-term provisions.

9 Tax charge

	2020 £'000	2019 £'000 *(re-presented)*
Current tax		
UK	**1,793**	(7,641)
Overseas	**4,519**	5,642
Adjustment in respect of prior years – UK	**(409)**	(3,217)
– Overseas	**(399)**	(4,226)
Current tax credit (charge)	**5,504**	(9,442)
Deferred tax		
Charge to deferred tax provision relating to the origination and reversal of temporary differences	**(1,001)**	(6,752)
Charge to deferred tax provision relating to changes in tax laws	**(2,869)**	-
Charge to deferred tax asset relating to the origination and reversal of temporary differences	**(5,746)**	9,787
Credit to deferred tax asset relating to changes in tax laws	**5,529**	-
Deferred tax charge relating to employee benefit obligations relating to the origination and reversal of temporary differences	**(3,457)**	(2,401)
Deferred tax charge relating to employee benefit obligations relating to changes in tax laws	**(5,521)**	-
Deferred tax (charge) credit	**(13,065)**	634
Tax charge	**(7,561)**	(8,808)

Comparative information has been re-presented for discontinued activities (see note 1(c)).

9 Tax charge *(continued)*

	2020 £'000	2019 £'000 *(re-presented)*
Reconciliation of variances from standard rate of UK corporation tax		
Loss on ordinary activities before tax on continuing activities	**(97,972)**	(109,240)
Add: share of tax of joint ventures	**1,166**	3,137
	(96,806)	(106,103)
Loss before tax at the standard rate of corporation tax in the UK of 19% (2019: 19.0%)	**(18,393)**	(20,160)
Adjusted for:		
Expenses not deductible for tax purposes	**755**	15,654
Overseas rate differences	**503**	8,479
Foreign permanent establishment exemption	**9**	(4)
Adjustment in respect of prior years	**9,950**	(9,012)
Utilisation of unrecognised losses	**(230)**	(218)
Current year losses not recognised	**15,820**	12,806
Other temporary differences in respect of foreign exchange on goodwill	**(2,711)**	2,948
Impact of change in tax rate	**3,024**	1,452
	8,727	11,945
Less: share of tax of joint ventures	**(1,166)**	(3,137)
Tax charge	**7,561**	8,808

Comparative information has been re-presented for discontinued activities (see note 1(c)).

The weighted average applicable tax rate was minus 7.7% (2019: minus 8.1%). The increase in the effective tax rate is attributable to expenses not deductible for tax purposes, adjustments to prior years and the tax impact of the change of scope of Assets Held for Sale.

Deferred tax is calculated in full on temporary differences under the liability method using an expected tax rate for the UK of 19% (2019: 17%) on short-term timing differences and 19% (2019: 17%) on long-term timing differences. For balances arising in Spain, an expected tax rate of 25% (2019: 25%) is used. These are the tax rates that have been substantively enacted at the balance sheet date.

The UK Finance Act 2017 included provision for the main rate of corporation tax to reduce from 19% to 17% from 1 April 2021. A Budget Resolution passed on 17 March 2020 included provision for the main rate of corporation tax to remain at 19% from 1 April 2020 and not reduce to 17% as previously legislated. The anticipated decrease in the Group's tax charge will now not materialise. The impact of recognising deferred tax at 19% has been an increase to the net deferred tax asset by £2.9 million.

On 11 March 2021, Finance Bill 2021 was published which includes provision for the main rate of UK Corporation Tax to increase to 25% from 1 April 2023. As the rate change will be enacted after the balance sheet date, it is a non-adjusting post balance sheet event. However, the impact of recognising deferred tax at the new rate applicable when the deferred tax is forecast to crystallise would be an increase to the net deferred tax asset of £9.1m at 31 December 2020.

The Group has benefitted from the current year effect of losses and other temporary differences in certain companies which reduce the tax charge to the extent that no deferred tax asset was recognised when they arose.

Deferred tax summary

	2020 £'000	2019 £'000
Deferred tax assets recognised	**62,706**	43,308
Deferred tax liabilities	**(32,204)**	(11,978)
	30,502	31,330

9 Tax charge *(continued)*

Deferred tax assets

	Accelerated depreciation £'000	Retirement benefit obligations £'000	Tax allowable goodwill £'000	Tax losses £'000	Other temporary differences £'000	Total £'000
At 1 January 2019	13,255	2,296	1,658	26,920	12,938	57,067
Income statement	4,175	(2,401)	(177)	(4,032)	(426)	(2,861)
SOCI	-	2,108	-	-	115	2,223
Reclassed as assets held for sale (see notes 1(b) and 17)	(8,132)	-	-	(890)	(4,099)	(13,121)
At 31 December 2019	**9,298**	**2,003**	**1,481**	**21,998**	**8,528**	**43,308**
Income statement	**2,277**	**(8,978)**	**(23)**	**-**	**(1,769)**	**(8,493)**
SOCI	**-**	**16,302**	**-**	**-**	**-**	**16,302**
Reclassed from assets held for sale (see notes 1(b) and 17)	**8,051**	**-**	**-**	**-**	**3,538**	**11,589**
At 31 December 2020	**19,626**	**9,327**	**1,458**	**21,998**	**10,297**	**62,706**

Deferred tax liabilities

	Accelerated capital allowances £'000	Accelerated tax relief on goodwill £'000	Intangible assets acquired £'000	Other temporary differences £'000	Total £'000
At 1 January 2019	855	-	17,577	16,109	34,541
Income statement	(842)	8,693	(7,471)	4,041	4,421
SOCI	-	-	-	(21)	(21)
Reclassed as assets held for sale (see notes 1(b) and 17)	-	-	(6,834)	(20,129)	(26,963)
At 31 December 2019	**13**	**8,693**	**3,272**	**-**	**11,978**
Income statement	**16**	**3,683**	**(3,248)**	**1,158**	**1,609**
Reclassed from assets held for sale (see notes 1(b) and 17)	**-**	**-**	**-**	**18,617**	**18,617**
At 31 December 2020	**29**	**12,376**	**24**	**19,775**	**32,204**

At 31 December 2019, the Group reclassed the deferred tax assets and liabilities of the Utilities and Environmental Services division as part of assets held for sale following the strategic review of the Group by the Directors and the decision to divest this business area (see note 1(c)). At 31 December 2020, following the change in perimeter of assets held for sale, the deferred tax assets and liabilities of the Environmental Services' Treatment and Collections and the Utilities retained business has been reclassed from assets held for sale (see note 1(c) and 17).

Unrecognised deferred tax assets

	2020 £'000	2019 £'000
Capital losses	**2,919**	2,632
Trading losses	**118,320**	61,060
Accelerated depreciation	**86**	52
Other temporary differences	**1,715**	-
	123,040	63,744

In addition to the amounts shown above, unrecognised deferred tax assets on trading losses of £nil million are attributable to the divisions now reclassed as assets held for sale (2019: £27.6 million).

Deferred tax assets have been recognised in respect of timing differences where the reversal of the originating difference is certain to arise in future periods. 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 Group over a period of up to five years. The assumptions used for these projections are fully aligned to those used for testing the impairment of goodwill (see note 10). A deferred tax asset has not been recognised where those losses cannot be utilised under existing tax rules. Capital losses can only be realised in the event of capital gains being realised in future periods. The tax losses do not have an expiry date.

10 Goodwill on acquisition of subsidiary undertakings

	Cost £'000	Provision for impairment £'000	Carrying value £'000
At 1 January 2019	735,764	(314,274)	421,490
Reclassed as assets held for sale (see notes 1(b) and 17)	(291,731)	175,560	(116,171)
At 31 December 2019	**444,033**	**(138,714)**	**305,319**
Reclassed from assets held for sale (see notes 1(b) and 17)	**110,360**	**(110,360)**	**-**
At 31 December 2020	**554,393**	**(249,074)**	**305,319**

The allocation of goodwill to groups of cash-generating units (CGU) is as follows:

	2020 £'000	2019 *(re-presented)* £'000
Consulting	**178,796**	178,796
Transport Infrastructure	**39,771**	39,771
Strategic Infrastructure	**86,752**	86,752
	305,319	305,319

Comparative information has been re-presented to reflect the revised divisional reporting structure adopted for 2020 (see note 4 for further information).

At 31 December 2019, the Group reclassed the goodwill of the Utilities and Environmental Services division as part of assets held for sale following the strategic review of the Group by the Directors and the decision to divest this business area (see note 1(c)). At 31 December 2020, following the change in perimeter of assets held for sale, the fully impaired goodwill of the Environmental Services' Treatment and Collections divisions has been reclassed from assets held for sale (see note 1(c) and 17).

In February 2020, the Facilities Management and Defence division was renamed the Strategic Infrastructure division and the Consulting and Rail Division was split into two line of business: Consulting has become a standalone division and Rail has been merged with the Highways to form an enlarged division: Transport Infrastructure. The goodwill allocated to the former Consulting and Rail division at that date of £218.6 million was allocated based on the relative values of each line of business at that time it originally arose. As a result of that exercise, the goodwill allocated to the Consulting division was £178.8 million with £39.8 million allocated to the Transport Infrastructure division.

The recoverable amounts of goodwill are based on value-in-use which reflects forecast cash flows as derived from approved budgets and plans for the next five years. The future cash flows are based on the completed Budget 2021 and the 2022-2025 Strategic Plan. Residual values have also been included which are based on the normalised activity cash flow plus a growth factor. The growth rate used has been 1.75% (2019: 1.75%). The underlying assumptions of these cash flows are based on the existing contract order book, management's past experience and on probability ratios for new business generation. The cash flows have been discounted using a risk-based discount rate of 9.76% (2019: 10.5%). This pre-tax discount rate is a measure based on the 10-year UK bond rate adjusted for a risk premium to reflect both the increased risk of investments generally in the sector and the systematic risk of the specific CGUs.

The dynamics of the Support Services sector has remained in line with the previous year, with a similar uncertainty and instability in the markets in which the Group operates. As a result of this, management decided to maintain the same assumptions as used in the previous year.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the Group of CGUs to which goodwill is allocated. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amounts of goodwill on Consulting, Transport Infrastructure and Secure Infrastructure is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

For Consulting and Transport Infrastructure, an additional sensitivity has been applied within the strategic plan by taking the average of the revenue growth of the previous three years (2018 to 2020) and normalising this through the plan. In addition, the gross margin applied was the average achieved for those three years. The outcome of this scenario shows enough headroom with no impairment arising. For the Consulting division, if revenue and margins were below that experienced in 2020, then an impairment of the Goodwill would arise for the Consulting division. For the Transport Infrastructure division, revenue would have to decline by 69% or margins reduce by 2.3% for any impairment to arise. These changes are reasonably possible in the current operating environment.

For Secure Infrastructure, an additional sensitivity has been applied considering a less favourable success rate on the renewal of Defence contracts together with a reduction to future revenue growth. The outcome of the scenario shows enough headroom with no impairment arising.

11 Other intangible assets

	Order books £'000	Customer relationships £'000	Contracts £'000	Software £'000	Total £'000
Cost					
At 1 January 2019	67,593	74,976	41,963	37,900	222,432
Additions	-	-	-	86	86
Disposals	-	-	-	(7,111)	(7,111)
Reclassed as assets held for sale (see notes 1(b) and 17)	(35,500)	(61,100)	(37,200)	(10,320)	(144,120)
At 31 December 2019	**32,093**	**13,876**	**4,763**	**20,555**	**71,287**
Additions	**-**	**-**	**-**	**126**	**126**
Reclassed as assets held for sale (see notes 1(b) and 17)	**17,750**	**30,550**	**41,570**	**6,905**	**96,775**
At 31 December 2020	**49,843**	**44,426**	**46,333**	**27,586**	**168,188**
Amortisation					
At 1 January 2019	43,254	20,889	11,922	31,537	107,602
Charge for the year	11,336	7,473	1,749	3,385	23,943
Disposals	-	-	-	(7,111)	(7,111)
Reclassed as assets held for sale (see notes 1(b) and 17)	(35,500)	(20,902)	(11,081)	(10,319)	(77,802)
At 31 December 2019	**19,090**	**7,460**	**2,590**	**17,492**	**46,632**
Charge for the year	**8,846**	**4,339**	**124**	**1,610**	**14,919**
Reclassed from assets held for sale (see notes 1(b) and 17)	**17,750**	**30,550**	**32,517**	**6,905**	**87,722**
At 31 December 2020	**45,686**	**42,349**	**35,231**	**26,007**	**149,273**
Carrying amount					
At 31 December 2020	**4,157**	**2,077**	**11,102**	**1,579**	**18,915**
At 31 December 2019	13,003	6,416	2,173	3,063	24,655

At 31 December 2019, the Group has reclassed other intangible assets as part of assets held for sale following the strategic review of the Group by the Directors and the decision to divest the Utilities and the Environmental Services' Treatment and Collections business areas (see note 1(c)). The related order books have now been fully amortised and the customer relationships were being amortised over a period of twenty years. These assets originally arose on the acquisition of Enterprise in 2013.

At 31 December 2020, following the change in perimeter of assets held for sale, the other intangibles assets of the Environmental Services Treatment and Collections divisions and those parts of the Utilities business being retained have been reclassed from assets held for sale (see note 1(c) and 17). These have been transferred at their amortised book values at 31 December 2020 which reflects an amortisation charge for the current year.

Customer order books and relationships as at 31 December 2020 arose on the acquisition of Carillion Amey in 2018. These principally relate to the present value of future income streams expected to arise from secured and unsecured contracts with existing customers. Order books and customer relationships are both being amortised over a period of between 19 and 30 months depending on the end date of the underlying contracts held by Carillion Amey.

Order books also include certain rail contracts taken over following the liquidation of Carillion plc in January 2018. These assets are being amortised over the remaining life of those contracts.

Also included in other intangible assets on contracts are rights to third party revenue forming part of a 25-year contract which is being amortised over the remaining term.

Software is amortised over periods of up to five years.

12 Property, plant and equipment

		Fixtures and fittings			
	Assets under construction £'000	Long leasehold £'000	Short leasehold £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2019	4,038	34,754	6,131	72,639	117,562
Additions arising from the adoption of IFRS 16	-	-	26,454	42,190	68,644
Additions	2,909	-	5,299	31,031	39,239
Disposals	(2,708)	(239)	(2,144)	(22,148)	(27,239)
Reclassed as assets held for sale (see notes 1(b) and 17)	(4,239)	(34,339)	(1,859)	(63,262)	(103,699)
At 31 December 2019	**-**	**176**	**33,881**	**60,450**	**94,507**
Additions	**-**	**-**	**5,489**	**11,952**	**17,441**
Disposals	**-**	**-**	**(3,306)**	**(7,132)**	**(10,438)**
Reclassed from assets held for sale (see notes 1(b) and 17)	**3,204**	**33,486**	**877**	**51,805**	**89,372**
At 31 December 2020	**3,204**	**33,662**	**36,941**	**117,075**	**190,882**
Depreciation					
At 1 January 2019	-	7,426	5,288	52,643	65,357
Provided in year	-	221	6,932	20,511	27,664
Disposals	-	(207)	(624)	(14,202)	(15,033)
Reclassed as assets held for sale (see notes 1(b) and 17)	-	(7,307)	(621)	(33,441)	(41,369)
At 31 December 2019	**-**	**133**	**10,975**	**25,511**	**36,619**
Provided in year	**-**	**44**	**4,883**	**11,389**	**16,316**
Disposals	**-**	**-**	**(1,625)**	**(4,557)**	**(6,182)**
Reclassed from assets held for sale (see notes 1(b) and 17)	**-**	**7,491**	**237**	**33,900**	**41,628**
At 31 December 2020	**-**	**7,668**	**14,470**	**66,243**	**88,381**
Carrying amount					
At 31 December 2020	**3,204**	**25,994**	**22,471**	**50,832**	**102,501**
At 31 December 2019	-	43	22,906	34,939	57,888

At 31 December 2019, the Group has reclassed property, plant and equipment as part of assets held for sale following the strategic review of the Group by the Directors and the decision to divest the Utilities and the Environmental Services' Treatment and Collections business areas (see note 1(c)).

At 31 December 2020, following the change in perimeter of assets held for sale, property, plant and equipment assets of the Environmental Services Treatment and Collections divisions and those parts of the Utilities business being retained have been reclassed from assets held for sale (see notes 1(b) and 17). These have been transferred at their amortised book values at 31 December 2020 which reflects a depreciation charge for the current year plus current year additions and disposals.

The net book value of property, plant and equipment held under finance leases and similar hire purchase contracts amounted to £68.1 million (2019: £49.6 million) of which £21.8 million (2019: £22.9 million) was in respect of leasehold property and £28.8 million (2019: £26.7 million) was in respect of plant and machinery. Additions of property, plant and equipment held under finance leases totalled £20.6 million (£10.1 million in respect of leasehold property and £10.5 million in respect of plant and machinery). The depreciation charge for the year for assets held under finance leases and similar hire purchase contracts was £13.8 million (2019: £20.2 million) of which £4.9 million (2019: £6.1) was in respect of leasehold property and £8.9 million (2019: £14.1 million) was in respect of plant and machinery.

13 Investments in joint ventures

Investments in joint ventures comprise:

	2020 £000	2019 £'000
Cost of shares	**402**	402
Share of post-acquisition profits	**16,930**	15,960
Loan advances (see note 34)	**32,229**	20,073
Total	**49,561**	36,435
Provision for impairment – shares	**(360)**	-
Provision for impairment – loans	**(22,281)**	(49)
Carrying value on the balance sheet	**26,920**	36,386

The movements during the year were as follows:

	Cost of shares £'000	Shares: provision for impairment £'000	Share of post-acquisition profits £000	Profits: provision for impairment £'000	Loan advances £'000	Loan advances: provision for impairment £'000	Total £'000
At 1 January 2019	419	(17)	21,226	(5,991)	54,310	(22,945)	47,002
Share of profit after tax for the year	-	-	11,814	-	-	-	11,814
Share of movements in the SOCI:							
- derivatives	-	-	(1,023)	-	-	-	(1,023)
- deferred tax thereon	-	-	175	-	-	-	175
Dividends paid by joint ventures	-	-	(9,708)	-	-	-	(9,708)
Loan advances	-	-	-	-	3,790	-	3,790
Loan repayments	-	-	-	-	(708)	-	(708)
Disposals	(17)	17	(6,524)	5,991	(32,854)	22,854	(10,533)
Provision for impairment – IFRS 9	-	-	-	-	-	31	31
Reclassed as assets held for sale (see notes 1(b) and 17)	-	-	-	-	(4,465)	11	(4,454)
At 31 December 2019	**402**	**-**	**15,960**	**-**	**20,073**	**(49)**	**36,386**
Share of profit after tax for the year	**-**	**-**	**4,969**	**-**	**-**	**-**	**4,969**
Share of movements in the SOCI:							
- derivatives	**-**	**-**	**1,757**	**-**	**-**	**-**	**1,757**
- deferred tax thereon	**-**	**-**	**(180)**	**-**	**-**	**-**	**(180)**
Dividends paid by joint ventures	**-**	**-**	**(5,576)**	**-**	**-**	**-**	**(5,576)**
Loan advances	**-**	**-**	**-**	**-**	**7,719**	**-**	**7,719**
Loan repayments	**-**	**-**	**-**	**-**	**(28)**	**-**	**(28)**
Provision for impairment – IFRS 9	**-**	**-**	**-**	**-**	**-**	**22**	**22**
Provision for impairment – exceptional (see note 4)	**-**	**(360)**	**-**	**-**	**-**	**(17,789)**	**(18,149)**
Reclassed from assets held for sale (see notes 1(b) and 17)	**-**	**-**	**-**	**-**	**4,465**	**(4,465)**	**-**
At 31 December 2020	**402**	**(360)**	**16,930**	**-**	**32,229**	**(22,281)**	**26,920**

On 9 January 2019, the Group disposed of its investments in its joint venture company, MTCnovo Limited (since renamed Management & Training Corporation Limited), for a total cash consideration of £10.5 million, giving rise to a minimal loss on disposal of £0.03 million in 2019, after a provisional impairment provision of £6.0 million was made in 2018. On 29 June 2019, the Group concluded an agreement to exit from the contract to provide highways maintenance services to Birmingham City Council. Under the terms of this agreement, the Group disposed of its investment in the shares of Amey Birmingham Highways Holdings Limited (since renamed Birmingham Highways Holdings Limited 'BHHL'), the immediate parent undertaking of BHL, but retained its interest in the investment loan advances to BHHL which classed in 2019 as non-current other debtor (albeit fully impaired).

13 Investments in joint ventures *(continued)*

At 31 December 2019, the Group has reclassed certain investments in joint ventures as part of assets held for sale following the strategic review of the Group by the Directors and the decision to divest the Environmental Services' Treatment business area (see note 1(c)).

At 31 December 2020, following the change in perimeter of assets held for sale, joint ventures investment loans in the Environmental Services Treatment division have been reclassed from assets held for sale (see notes 1(b) and 17). These have been transferred at its fully impaired amortised book value at 31 December 2020.

The Group's joint venture investments, including the percentage of interest held, are set out in note 31.

The Group's aggregate share of the results and net assets of joint ventures was as follows:

	2020 £'000	2019 £'000
Share of revenue	**265,769**	270,752
Share of profit after tax for the year	**4,969**	14,006
Share of other comprehensive expense	**(432)**	(398)
Dividends received from joint ventures	**5,576**	9,708
Share of gross assets	**168,456**	186,926
Share of gross liabilities	**(160,241)**	(173,218)
Share of net assets	**8,215**	13,708
Loan advances (note 34)	**32,229**	20,073
Provision for impairment	**(22,641)**	(49)
Net investment in joint ventures	**17,803**	33,732
Included in:		
Investments in joint ventures	**26,920**	36,386
Assets held for sale (see notes 1(b) and 17)	**-**	492
Provision for joint venture losses (note 24)	**(9,117)**	(3,146)
	17,803	33,732

None of the joint venture investments held by the Group are individually material to the reporting entity.

The share of gross liabilities includes financial instrument derivatives within joint ventures which relate to interest rate swaps entered into by the joint ventures concerned as a means of hedging interest rate risk. In accordance with IAS 39, these derivatives are accounted for as cash flow hedges by the joint ventures with the effective portion of movements in fair value each year recognised in the SOCI and in the hedge reserve.

14 PFI/PPP Financial assets

	2020 £000	2019 £'000
PFI/PPP Financial assets		
Non-current	**66,119**	-
Current	**1,926**	-
Carrying value on the balance sheet	**68,045**	-

Financial assets result from the application of IFRIC 12 (Service Concession Arrangements) for PFI/PPP waste management contracts. They are measured initially at fair value of consideration paid and subsequently at amortised cost. The financial asset amounts may have corresponding items in PFI/PPP Non-recourse term-loans, which would be secured on the assets of the special purpose company in which the financial asset arises. These PFI/PPP Financial assets are fixed rate financial assets and bear interest at an average rate of 6.0% (2019: 6.0%). The Group's credit risk on these financial assets is mitigated by maintaining a strong relationship with the customers. The assets are neither past due nor impaired.

The Group holds one service concession arrangement on which PFI/PPP financial assets arise. This is in respect of a 28-year PFI waste management contract with Cambridgeshire County Council which runs until 2036. This contract is for the provision of waste collection and treatment services, but the concession also includes the right to receive and process third party waste. The construction and development phase of this contract has been completed and the contract is now in the maintenance phase.

At 31 December 2019, the Group reclassed all PFI/PPP Financial assets as part of assets held for sale, following the strategic review of the Group by the Directors and the decision to divest the Environmental Services' Treatment business area (see note 1(c)).

At 31 December 2020, following the change in perimeter of assets held for sale, the PFI/PPP Financial assets in the Environmental Services Treatment division have been reclassed from assets held for sale (see note 1(c) and 17). These have been transferred at their book values at 31 December 2020.

Under the terms of these concessions, the Group is required to meet certain key performance targets on waste collection and recycling rates. There were no changes to the terms of the concessions during the year.

15 Financial instruments

Financial risk

The financial risks affecting the Group are as follows:

Financial risk management – interest rate risk

The Group's main interest rate risk arises on bank borrowings where variable rate loans could expose the Group to cash flow interest rate risk. The Group has not taken out interest rate hedges in respect of borrowings with recourse to the Group's balance sheet. For PFI/PPP Non-recourse term loans, it is a condition of lending that interest rate hedges to fix the interest rate are used.

Financial risk management - credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations. The Group's principal financial assets are cash and cash equivalents, investment loans to joint ventures, trade and other receivables and financial assets related to PFI/PPP contracts. The Group's objective is to reduce its exposure to counterparty default by restricting the type of counterparty it deals with and by employing an appropriate policy in relation to the collection of trade receivables.

The Group recognises lifetime expected credit losses at the point of initial recognition for trade receivables and accrued income. For other financial assets, a loss allowance is recognised for expected credit losses taking into account changes in the level of credit risk. Where credit risk is considered to be low, the loss allowance is limited to expected losses arising from default events that are possible within twelve months of the balance sheet date. There has not been a significant increase in credit risk in relation to receivables where the IFRS 9 general approach is followed to determine expected credit loss.

At 31 December 2020, the amount of credit risk on cash and cash equivalents totalled £128.3 million (2019: £106.8 million). Credit risk relating to investments in financial products is concentrated mainly on short-term investments. Counterparties are always financial institutions and a strict diversification policy is applied on the basis of credit ratings and maximum credit limits. The Group also actively monitors the risk that it assumes with its banks through credit quality studies for each of the financial institutions to which it is exposed. Expected credit losses over cash and cash equivalents are considered to be immaterial with no losses experienced.

Trade and other receivables mainly comprise amounts due from customers for services performed. The level of trade receivables is monitored on a monthly basis to assess the risk of default by any counterparty with the result that the exposure to bad debts is not significant. At 31 December 2020, the amount of credit risk on trade and other receivables amounted to £340.4 million (2019: £463.5 million).

15 Financial instruments *(continued)*

Financial risk *(continued)*

Financial risk management - credit risk (continued)

The PFI/PPP financial assets are recoverable from the future cash inflows relating to the underlying contracts. These are considered to have very low risk as the counterparties for those cash inflows are local authorities or councils. This is reviewed on a regular basis and there has been no change in the capacity of the counterparties to meet their contractual cash flow obligations. At 31 December 2020, the amount of credit risk on PFI/PPP financial assets amounted to £68.0 million (2019: £71.9 million).

During 2020, the £17.8 million investment loan to the joint venture undertaking holding the Wales and Borders railway operating franchise has been fully impaired as a result of the impact of COVID-19 on that business during 2020 as future repayments are unlikely following the restructuring of that franchise in early 2021. In 2019, the £4.5 million investment loan to the joint venture undertaking holding the Milton Keynes waste management contract was fully impaired reflecting the operating performance of the underlying contract with no overall future improvement envisaged allowing for recovery of the loan. No other loans to joint venture investments are credit impaired. At 31 December 2020, the amount of remaining credit risk on loans to joint venture undertakings was £9.9 million (2019: £20.0 million).

All credit losses are considered on a combined twelve month and lifetime basis due to the long-term nature of the underlying contracts. There has been no change in the overall level of credit risk on financial assets since initial recognition.

Financial risk management - exchange rate risk

The Group's principal exchange rate risk is in respect of intercompany loan balances denominated in euros and the interest cost thereon. These risks have not been hedged against as, overall, there is no risk to the ultimate group.

Financial risk management - funding and liquidity risk

A key function of the Group Treasury department is to ensure that the Group has sufficient cost-effective facilities to meet its obligations in the short-term, medium-term and long-term.

Group Treasury monitors the following activities:

- regular cash flow forecasts prepared by the business units and aggregated at Group level
- budget and forecast cash flows
- actual trading results, debt and balance sheet positions
- capital expenditure requests
- forecast facility availability

Special attention is paid to the liquidity of monetary assets. Group policy is to place any cash surpluses on short-term deposits with institutions with good quality credit ratings. Each credit institution is subject to a maximum level and deposits are spread across several institutions to mitigate risk.

IFRS 7 (Financial Instruments: Disclosures) requires the Group to analyse its financial assets and liabilities held at fair value according to the valuation basis applied. Level 1 represents fair values based on quoted prices in active markets; Level 2 represents fair values where the valuation uses inputs from quoted prices in active markets; Level 3 represents fair values where any significant valuation input is not based on observable market data. The Group has no Level 1 or Level 3 financial assets or liabilities. During the year, Level 2 financial assets were held by subsidiary undertakings and Level 2 financial liabilities were held by both subsidiary undertakings and the Group's joint venture undertakings. Derivative financial instruments are determined by discounting the future cash flows using the applicable period end yield curve. There have been no changes in the current year to the Level 2 valuation techniques previously applied.

Amounts recognised in respect of cash flow hedges (before related tax impact) were as follows:

	2020 £'000	2019 £'000
Losses included in the income statement:		
- in respect of losses recycled to the income statement from reserves and included in finance expense of discontinued activities	**-**	(7,581)
(Losses) gains included in the SOCI:		
- in respect of derivatives transferred from equity	**(1,192)**	(797)
- in respect of share of joint ventures change in fair value of derivatives	**(663)**	(480)
- in respect of losses recycled to the income statement from reserves	**-**	7,581

15 Financial instruments *(continued)*

Financial risk *(continued)*

Profits (losses) included in the income statement relate to the Group's share of the ineffective portion of cash flow hedges held by the Group and joint ventures. The profit on disposal of joint venture investments and impairment of assets relate to the gain arising on part disposal or de-recognition, offset by fair value losses recycled to the income statement of losses previously charged to Other Comprehensive Income. Gains (losses) included in the SOCI relate to changes in the fair value of the effective portion of derivatives held by the Group and joint ventures that are designated and qualify as cash flow hedges, and also in respect of fair value losses recycled to the income statement.

As a condition of lending, the PFI/PPP subsidiaries and joint ventures are required to take out interest rate hedges to fix the interest rate to hedge effectively against the planned schedule of future interest and principal debt repayments. The hedge ratio is established by comparing actual cash flows with expected cash flows and thus remains wholly effective whilst the plan of payments (which is a condition of lending) is adhered to. The last of these hedges expires in 2034 for subsidiaries and 2039 for joint ventures.

The maturity of the notional monetary amounts of interest rate hedges held by subsidiary undertakings and joint venture investments is as follows:

	Subsidiaries 2020 £'000	**Joint ventures 2020 £'000**	**Total 2020 £'000**	Subsidiaries 2019 £'000	Joint ventures 2019 £'000	Total 2019 £'000
Within 1 year	**-**	**121**	**121**	-	117	117
From 1 to 2 years	**-**	**-**	**-**	-	121	121
From 3 to 5 years	**-**	**228**	**228**	-	-	-
From 6 to 10 years	**-**	**422**	**422**	-	730	730
From 11 to 15 years	**48,532**	**4,585**	**53,117**	49,150	3,161	52,311
Over 15 years	**-**	**14,820**	**14,820**	-	17,208	17,208
Total	**48,532**	**20,176**	**68,708**	49,150	21,337	70,487

All Group financial assets, except for derivatives, are classified as loans and receivables and all financial liabilities, with the exception of derivatives, are classified as other financial liabilities measured at amortised cost. Of the maturity amounts shown above, only that held by subsidiaries was classed as part of liabilities held for sale at 31 December 2019. Following the change in perimeter of assets held for sale, none of the maturity amounts at 31 December 2020 relate to assets held for sale.

Interest and exchange rate risks

The Group has used a sensitivity analysis technique that measures the estimated change in fair value of the Group's financial instruments to both the income statement and equity of an instantaneous increase or decrease of 0.5% in interest rates which represents a reasonable approximation of possible change. This exercise has been performed purely for illustrative purposes as, in practice, these changes rarely occur in isolation. In preparing this analysis, it has been assumed that changes in interest rates affect the interest payable or receivable on floating rate financial instruments.

Change in market interest rates	**Decrease of 0.5% £'000**	**Increase of 0.5% £'000**
Impact on income statement and equity from:		
- other bank loans without recourse	**89**	**(89)**
- net payables with Ferrovial, S.A.	**132**	**(132)**
	221	**(221)**

The amounts generated from the sensitivity analysis are estimates of the impact of interest rate risk assuming that the specified changes occur. Clearly, developments in global markets may cause the actual changes to differ significantly from the changes specified above. Therefore, this analysis should not be considered a projection of likely future events and losses. The sensitivities above exclude any potential impact on the Group's retirement benefit obligations.

The Group is exposed to exchange rate risk in respect of a Euro denominated non-current receivable of £25.8 million due from Ferrovial Servicios, S.A., offset by the impact of cumulative Spanish tax receipts denominated in Euros on allowable goodwill of £85.4 million forming part of the deferred tax provision for accelerated tax relief on goodwill. A 5% change in the foreign exchange rate would have a net impact on the Group of £3.0 million.

15 Financial instruments *(continued)*

Capital structure

The Group manages its external borrowings, Ferrovial, S.A. group loans and equity as capital. The Group's principal objective is to ensure that the Group has sufficient capital to fund its operations. In developing business plans, management consider the likely capital requirements and how to fund these requirements. Additional capital is funded by using the least-cost source at the time of fund-raising. The Group is not subject to any externally imposed capital requirements. At the year end, the Group's capital was as follows:

	2020 £'000	2019 £'000
Bank loans with recourse (note 22)	**-**	64,000
Other non-recourse bank loans (note 22)	**22,000**	-
Finance lease liabilities (note 22)	**70,189**	52,060
PFI/PPP Non-recourse term loans (note 22)	**48,606**	-
Non-controlling interest shareholder loan (note 22)	**100**	100
Current Ferrovial, S.A. group loans (note 21)	**32,590**	253,661
Total external borrowings and Ferrovial, S.A. group loans	**173,485**	369,821
Total equity	**82,807**	(55,046)
	256,292	314,775

At 31 December 2020, following the change in perimeter of assets held for sale, the PFI/PPP Non-recourse term loans held by the Environmental Services Treatment division have been reclassed from assets held for sale (see notes 1(b) and 17) and are now reported in the table above.

16 Financial assets and financial liabilities

The following financial assets and financial liabilities are held at amortised cost with the exception of derivative financial instruments which are measured at fair value with changes in fair value reflected in other comprehensive income:

	2020 £'000	2019 £'000
Financial assets:		
Loan advances to joint ventures	**9,948**	20,024
PFI/PPP financial assets	**68,045**	-
Trade receivables	**40,321**	45,650
Amounts recoverable on contracts	**207,652**	229,692
Amounts due from joint ventures	**8,047**	6,738
Amounts due from Ferrovial S.A. group undertakings	**38,299**	42,376
Cash and cash equivalents	**128,308**	86,322
Total financial assets measured at amortised cost	**500,620**	430,802
Financial liabilities:		
Trade payables	**64,199**	105,158
Payments received on account	**2,446**	2,811
Amounts due to Landmille Limited	**-**	177,527
Amounts due to Ferrofin, SL	**-**	76,134
Amounts due to Ferrovial S.A. group undertakings	**33,875**	35,198
Amounts due to joint ventures	**28**	13
External borrowings	**140,895**	116,160
Financial liabilities measured at amortised cost	**241,443**	513,001
Derivative financial instruments	**18,833**	-
Financial liabilities measured at fair value through other comprehensive income	**18,833**	-
Total financial liabilities	**260,276**	513,001

16 Financial assets and financial liabilities *(continued)*

The maturity analysis of financial liabilities is as follows:

	2020 £'000	2019 £'000
Non-derivative financial liabilities		
Due within one year	**142,936**	410,800
Due in one to 2 years	**18,220**	43,317
Due in two to five years	**33,089**	51,533
Due after more than five years	**47,198**	7,351
	241,443	513,001
Derivative financial liabilities		
Due after more than five years	**18,833**	-
Total financial liabilities	**260,276**	513,001

The Group's principal objective is to ensure that the Group has sufficient capital and borrowings to fund its operations. In developing business plans, management consider the likely capital requirements and how to fund these requirements. Additional capital is funded by using the least-cost source at the time of fund-raising. The Group is not subject to any externally imposed capital requirements.

The financial assets above include set off of financial liabilities with financial assets only in respect cash overdraft balances of £nil (2019: £2.7 million) held by a subsidiary undertaking which is a member of the overall bank balance pooling agreement held by the Group with its principal banker. The gross amounts of cash without set off total £128.3 million (2019: £89.1 million).

Further consideration on credit risk arising on financial assets is detailed in note 15.

17 Assets and liabilities held for sale

Summary of scope changes in 2020

At 31 December 2020, the Directors have assessed the progress and status of the sale processes undertaken in 2020 for the three Cash Generating Units (CGUs) which were held for sale at 31 December 2019. They have confirmed a change to plans based on the feedback received on those processes and they also consider that paragraphs 6 to 8 of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are no longer met for certain contracts, assets and liabilities of those perimeters:

- In the Environmental Services Treatment CGU, the process of the sale has not driven the expected appetite in the market and, consequently, the Group is now re-assessing the strategy to follow going forward.
- In the Environmental Services Collection CGU, agreements have been reached on 28 February 2021 and 31 March 2021 to sell certain contracts but retaining part of their assets and liabilities at the transaction date. Additionally, there are two contracts that have been excluded from the perimeter of the sale as there were no relevant interest received from the market on them.
- In the Utilities CGU, the sale process has progressed for the Water business and is still ongoing. Certain other assets and liabilities are now being retained in the Power and Metering business area.

Based on the above, the only relevant segment which remains held for sale at 31 December 2020 is the Utilities Water CGU.

As a result, the Group has ceased to classify as held for sale the components excluded in the previous paragraphs, so the results of operations of those components previously presented in discontinued operations in accordance with paragraphs 33 to 35 of IFRS 5 have been reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods have also been re-presented.

The remaining assets held for sale are valued at the lower of their book value and their fair value less cost of sale. The Group has measured the fair value of the business divisions held for sale and no change in value has been recorded in 2020 in relation to the assets and liabilities of that business CGU (see note 2).

The assets and liabilities previously classed as held for sale, but which have ceased to be so classified in 2020, have now reverted to their regular balance sheet headings. No further adjustments to fair values have been required and all assets have been depreciated and amortised in accordance with the requirements of paragraph 27 of IFRS 5.

The planned disposals will be subject to certain consents required by customers. Based on legal advice received, we assess that these are usual and customary and should be routinely achievable once any acquirer is known.

Notes forming part of the Group financial statements Annual Report and Financial Statements 2020

17 Assets and liabilities held for sale *(continued)*

Measurement of assets and recognition of impairment provision

The reclassification involves valuing the assets from the point of reclassification onwards at the lower of their carrying amount and fair value (estimated sale price) less costs to sell. This is a different approach to that followed previously, in which the basis to follow was the lower of the carrying amount or the usage value amount, which includes an estimated value that will be gained from using the asset, and which could differ from its estimated selling price.

The fair value estimation of the group of assets held for sale has resulted in an asset impairment loss of £nil (2019: £158.9 million), which was included in the income statement for the year. The fair value of the business is affected by the current market context in the UK, including macroeconomic uncertainties, regulatory restraints and reduced public spending in the markets served by divestment business.

For the purposes of this impairment loss, the fair value of the Utilities – Water business has been estimated based on multiples of the EBITDA anticipated for 2021. The Group has appointed a professional advisor who has supported this process and has given an indicative range based on listed company and relevant transaction data comparable in the infrastructure sector. This value has also been adjusted by the net debt and other adjustments which could be considered to give rise to an adjustment to debt.

The assets and liabilities previously classed as held for sale, but which have ceased to be so classified in 2020, have now reverted to their regular balance sheet headings. No further adjustments to fair values have been required and all assets have been depreciated and amortised in accordance with the requirements of paragraph 27 of IFRS 5.

Impact on financial statements

The reclassification of the divestment businesses to and from discontinued operations has the following impact on these financial statements:

- the result after tax generated by the businesses which are classified as discontinued operations at 31 December 2020 is not reported in each line of the income statement, instead it is reported in one line 'net result after tax from discontinued operations' both for 2020 and 2019. Changes in the scope of divestment business since 31 December 2019 result in a re-presentation of the 2019 income statement such that only the results of those business held for sale at 31 December 2020 are included in discontinued activities.
- any impairment loss arising on the divestment business above is included as part of discontinued activities. Note 2 includes the disclosures required in connection with net result after tax from discontinued operations, including a breakdown of the main reporting lines;
- for cash flow statement purposes, the portion of cash flows from operating, investing and financing activities related to the discontinued operations are included in the total amount reported;
- for the purposes of the balance sheet, all assets and liabilities attributable to the divestment businesses have been reclassified as 'assets and liabilities held for sale'. This reclassification was made from 31 December 2020 and, in accordance with IFRS 5, does not require the restatement of the comparative balance sheet for 2019.

In 2020, no impairment or other fair value adjustments arose in respect of assets held for sale. The effect of the decision to reverse the classification of business as held for sale on the amounts recognised for the current and prior year is not material.

In 2019, the impairment adjustments made were reductions in respect of goodwill of £92.0 million, other intangible assets of £42.0 million, property, plant and equipment of £1.3 million and non-current trade and other receivables of £24.5 million. There was a consequential reduction to the deferred tax provision of £7.1 million arising in respect of the other intangible assets that originally arose on consolidation. In addition to the items above, the cumulative expense recognised in other comprehensive income in 2019 relating to derivative financial instruments included in liabilities held for sale of £6.3 million (net of tax) has also been recycled to loss on discontinued activities for the year following the classification of the derivative as asset/liability held for sale.

At 31 December 2020, assets classified as held for sale and from discontinued operations included £nil (2019: £20.5 million) of cash and cash equivalents where the Group has restricted control. Cash and cash equivalents where the Group has no restriction on control have not been included in assets classified as held for sale.

17 Assets and liabilities held for sale *(continued)*

Impact on financial statements *(continued)*

The following table details the statement of financial position before and after reclassification as at 31 December, including the different types of assets and liabilities that have been reclassified as discontinued operations.

	Previous balance sheet 2020 £'000	**Reclassi-fication 2020 £'000**	**Balance sheet with discontinued operations 2020 £'000**	Previous balance sheet 2019 £'000 *(restated)*	Reclassi-fication 2019 £'000	Balance sheet with discontinued operations 2019 £'000 *(restated)*
Non-current assets						
Goodwill on acquisition of subsidiary undertakings	**329,501**	**(24,182)**	**305,319**	421,490	(116,171)	305,319
Other intangible assets	**37,268**	**(18,353)**	**18,915**	90,973	(66,318)	24,655
Property, plant and equipment	**110,123**	**(7,622)**	**102,501**	120,218	(62,330)	57,888
Investments in joint ventures	**26,920**	**-**	**26,920**	40,840	(4,454)	36,386
Deferred tax assets	**66,822**	**(4,116)**	**62,706**	56,429	(13,121)	43,308
PFI/PPP Financial assets	**66,119**	**-**	**66,119**	69,185	(69,185)	-
Trade and other receivables	**80,671**	**-**	**80,671**	78,288	(10,252)	68,036
	717,424	**(54,273)**	**663,151**	877,423	(341,831)	535,592
Current assets						
Assets classified as held for sale and from discontinued operations	**-**	**72,642**	**72,642**	-	330,259	330,259
Inventories	**14,677**	**(657)**	**14,020**	19,207	(13,136)	6,071
PFI/PPP Financial assets	**1,926**	**-**	**1,926**	2,698	(2,698)	-
Trade and other receivables	**259,749**	**(17,712)**	**242,037**	385,164	(102,445)	282,719
Current tax assets	**5,038**	**-**	**5,038**	12,934	-	12,934
Cash and cash equivalents	**128,308**	**-**	**128,308**	106,811	(20,489)	86,322
	409,698	**54,273**	**463,971**	526,814	191,491	718,305
Total assets	**1,127,122**	**-**	**1,127,122**	1,404,237	(150,340)	1,253,897
Current liabilities						
Liabilities classified as held for sale and from discontinued operations	**-**	**(60,477)**	**(60,477)**	-	(350,976)	(350,976)
Trade and other payables	**(597,726)**	**49,048**	**(548,678)**	(645,440)	171,533	(473,907)
Ferrovial, S.A. group loans	**(32,590)**	**-**	**(32,590)**	(253,661)	-	(253,661)
Provisions for other liabilities and charges	**(43,934)**	**-**	**(43,934)**	(41,714)	15,515	(26,199)
External borrowings	**(44,514)**	**2,126**	**(42,388)**	(22,762)	8,803	(13,959)
	(718,764)	**(9,303)**	**(728,067)**	(963,577)	(155,125)	(1,118,702)
Non-current liabilities						
Trade and other payables	**(7,593)**	**-**	**(7,593)**	(5,172)	-	(5,172)
Ferrovial, S.A. group loans	**-**	**-**	**-**	(33,637)	33,637	-
Derivative financial instruments	**(18,833)**	**-**	**(18,833)**	(17,641)	17,641	-
Deferred tax liabilities	**(35,665)**	**3,461**	**(32,204)**	(38,941)	26,963	(11,978)
Retirement benefit obligations	**(49,093)**	**-**	**(49,093)**	(11,788)	-	(11,788)
Provisions for other liabilities and charges	**(110,318)**	**300**	**(110,018)**	(66,567)	7,465	(59,102)
External borrowings	**(104,049)**	**5,542**	**(98,507)**	(169,323)	67,122	(102,201)
	(325,551)	**9,303**	**(316,248)**	(343,069)	152,828	(190,241)
Total liabilities	**(1,044,315)**	**-**	**(1,044,315)**	(1,306,646)	(2,297)	(1,308,943)
Net assets	**82,807**	**-**	**82,807**	97,591	(152,637)	(55,046)
Capital and reserves						
Equity attributable to equity holders of the Company	**149,646**	**-**	**149,646**	121,039	(139,528)	(18,489)
Non-controlling interests	**(66,839)**	**-**	**(66,839)**	(23,448)	(13,109)	(36,557)
Total equity	**82,807**	**-**	**82,807**	97,591	(152,637)	(55,046)

Comparative information has been restated for the reclassification of certain accrued income balances in trade and other receivables from current to non-current assets. See note 1(b) and note 18 for more information.

In each of the notes to the financial statements relating to balance sheet items, the change caused by the reclassification, including adjustments to the perimeter of assets held for sale during the year at 31 December 2019 and at 31 December 2020 are broken down to the line 'Reclassed from/to asset or liability held for sale'.

18 Trade and other receivables

	2020 £'000	2019 £'000 *(restated)*	2018 £'000 *(restated)*
Current			
Trade receivables	**40,321**	45,650	115,524
Amounts recoverable on contracts	**152,754**	180,556	249,050
Amounts due from joint ventures (note 34)	**8,047**	6,738	7,435
Amounts due from Ferrovial, S.A. subsidiary undertakings (note 34)	**12,526**	23,476	12,098
Other debtors	**11,529**	9,951	26,429
Prepayments and accrued income	**16,860**	16,348	41,660
	242,037	282,719	452,196
Non-current			
Amounts recoverable on contracts	**54,898**	49,136	52,908
Amounts due from Ferrovial Servicios, S.A. subsidiary undertakings (note 34)	**25,773**	18,900	16,539
	80,671	68,036	69,447

Restatement of comparatives: following review of the ageing profile of amounts recoverable on contracts, the Group has restated comparative balance sheet information to correct for a material misclassification on one contract between non-current and current assets. Accordingly, non-current amounts recoverable on contracts at 31 December 2019 have increased by £42.0 million from £7.1 million to £49.1 million (31 December 2018: by £39.1 million from £13.8 million to £52.9 million). Current amounts recoverable on contracts have reduced by £42.0 million from £222.5 million to £180.6 million (31 December 2018: by £39.1 million from £288.1 million to £249.1 million).

The contractual terms on the Sheffield City Contract have required significant performance obligations on the lifecycle element of the contract to be performed in advance of the payment profile. The outstanding contract asset balance of £53.7 million will be settled by payments over the remaining contract term of 16.7 years.

In addition to the amounts shown above, the Group has a non-current other debtor of £38.5 million (2019: £35.4 million) due from the Group's former joint venture, Birmingham Highways Holdings Limited (BHHL). This debtor is fully provided for in these financial statements. This debtor represents both the original loan advance and accrued interest receivable (which continues to accrue). Previously these amounts were included as part of loan advances and amounts due from joint ventures, but following disposal of BHHL in 2019, are now classed within non-current other debtors, albeit fully impaired.

There was no difference between the book value of the amounts due from Ferrovial, S.A. subsidiary undertakings and their equivalent fair values for 2020 and 2019. Fair value has been based on carrying amount.

As required by the disclosure requirements of IFRS 15, the amounts of current and non-current amounts recoverable on contracts at 31 December 2018 were £288.1 million and £13.8 million respectively. The Group operates a large number of contracts where the payment terms and conditions vary between those contracts. There will also be contracts starting and completing in any financial year. Significant changes in amounts recoverable on contracts arise in the reporting period, but no single contract is individually significant enough to explain year on year changes in the balance sheet amounts reported.

A provision for expected credit losses was included within trade receivables as follows:

	2020 £'000	2019 £'000
At 1 January	**7,824**	9,110
Utilised	**(1,514)**	(872)
Charged to income statement	**3,609**	3,133
Reclassed from (to) assets held for sale (see notes 1(b) and 17)	**559**	(3,547)
At 31 December	**10,478**	7,824

The ageing of trade receivables that are past due but not impaired was as follows:

	2020 £'000	2019 £'000
Not past due	**21,694**	34,573
Up to 2 months past due	**5,665**	4,813
More than 2 months past due	**12,962**	6,264
	40,321	45,650

19 Inventories

	2020 £'000	2019 £'000
Raw materials and consumable stocks	**11,601**	6,067
Bid and mobilisation costs	**2,419**	4
	14,020	6,071

20 Cash and cash equivalents

	2020 %	2020 £'000	2019 %	2019 £'000
Cash balances held at floating rate	**0.1**	**128,308**	0.1	86,322

Included within cash balances is £57.1 million (2019: £28.1 million) relating to jointly controlled and other operations in which the Group has restricted control. These balances may only be utilised by the Group with the consent of the partners to those operations that are jointly controlled, or with agreement of any non-controlling interest shareholder under the terms of a shareholder agreement or, in the case of a special purpose company, with the consent of the holders of any non-recourse debt held by those companies. Individual bank balances and overdrafts have been offset where cash pooling and set-off arrangements are in place.

The cash balances stated above include set off of overdraft balances of £nil (2019: £2.7 million) held by a subsidiary undertaking which is a member of the overall bank balance pooling agreement held by the Group with its principal banker. The gross amounts of cash without set off total £128.3 million (2019: £89.1 million).

Of the cash balances held above, £117,966,000 (2019: £72,767,000) is held in the UK, £44,000 (2019: £27,000) is held in Spain and £10,298,000 (2019: £13,528,000) is held elsewhere overseas.

21 Trade and other payables

	2020 £'000	2019 £'000
Current		
Trade payables	**64,199**	105,158
Payments received on account	**2,446**	2,811
Amounts due to Landmille Limited (note 34)	**-**	177,527
Amounts due to Ferrofin, SL (note 34)	**-**	76,134
Amounts due to Ferrovial Servicios, S.A. subsidiary undertakings (note 34)	**33,875**	35,198
Amounts due to joint ventures (note 34)	**28**	13
Other creditors	**89,330**	49,945
Deferred income	**51,145**	39,797
Accruals	**340,245**	240,985
	581,268	727,568
As presented on the balance sheet:		
Trade and other payables	**548,678**	473,907
Ferrovial, S.A. group loans (note 34)	**32,590**	253,661
	581,268	727,568
Non-current		
Deferred income		
- in more than 1 year but not more than 2 years	**359**	211
- in more than 2 years but not more than 5 years	**6,561**	4,288
- in more than 5 years	**673**	673
	7,593	5,172
As presented on the balance sheet:		
Trade and other payables	**7,593**	5,172
	7,593	5,172

Included within the Group's trade creditors balance is £23.7 million (2019: £27.2 million) relating to payments due to UK suppliers which make use of bank provided supply chain finance arrangements. The Group settles these amounts in accordance with each supplier's agreed payment terms.

Included in amounts due to other Ferrovial Servicios, S.A. subsidiary undertakings is a loan of £32.6 million (2019: £31.4 million) due to Cespa UK Limited which is designated in sterling and bears interest at market rate (2019: market rate) and which was due to be repaid in February 2021. Since 31 December 2020, the date of repayment has been extended to 31 December 2025.

21 Trade and other payables *(continued)*

As required by the disclosure requirements of IFRS 15, the amounts of current and non-current deferred income at 31 December 2018 were £4.0 million and £4.9 million respectively.

The amounts shown above due to Ferrovial, S.A. group undertakings (including due to Landmille Limited, Ferrofin, SL and to other Ferrovial, S.A. group undertakings) were subordinated in favour of any amounts due to the Group's banks under the five five-year bilateral facility agreements in place and which have recourse to the Group balance sheet.

On 26 February 2020, £169.0 million of the amounts due to Landmille Limited were converted to Other equity instruments. The proceeds of this loan were used to reduce the existing loans of £177.5 million from Landmille Limited. On 31 December 2020, the remaining loan of £8.5 million was converted and consolidated into the Other equity instruments held by Amey plc with Landmille Limited which has now been assigned from Landmille Limited to Ferrofin, SL (see note 26). Accordingly, the Group no longer has a trade and other payable due to Landmille Limited at 31 December 2020.

On 31 December 2020, the loan amount due to Ferrofin, SL by Amey UK plc, including interest accrued during the year, was converted and consolidated into the Other equity instruments held by Amey UK plc with Ferrofin, SL (see note 26). Accordingly, the Group no longer has a trade and other payable due to Ferrofin, SL at 31 December 2020.

22 External borrowings

	Current 2020 £'000	Non-current 2020 £'000	Current 2019 £'000	Non-current 2019 £'000
Bank loans with recourse	**-**	**-**	-	64,000
Other bank loans without recourse	**22,000**	**-**	-	-
PFI/PPP Non-recourse term loans	**930**	**47,676**	-	-
Finance lease liabilities	**19,458**	**50,731**	13,959	38,101
Non-controlling interest shareholder loan	**-**	**100**	-	100
	42,388	**98,507**	13,959	102,201

	Expiry date	Interest rate	2020 £'000	2019 £'000
Bank loans with recourse	2021	Floating	**-**	32,000
	2022	Floating	**-**	32,000
Other bank loans without recourse	2021	Floating	**22,000**	
PFI/PPP Non-recourse term loans	2034	Fixed	**48,606**	-
Non-controlling interest shareholder loan	2033	Floating	**100**	100
			70,706	64,100

At 31 December 2020, the Group has drawn down floating rate bank loans under its bilateral facility agreements with recourse to the balance sheet of £nil (2019: £64.0 million). In addition, a subsidiary undertaking of the Group (Amey Defence Services Limited) has also drawn down £22.0 million (2019: £nil) of other bank loans without recourse to the Group balance sheet but which is secured on the assets of that subsidiary.

PFI/PPP Non-recourse term loans have been secured on the assets of AmeyCespa WM (East) Limited and this was classed within liabilities held for sale at 31 December 2019 following the strategic review of the Group by the Directors and the decision in that year to divest the Environmental Services' Treatment business area. In 2020, the loan has been reclassed from liabilities held for sale as that business area is no longer held for sale (see note 1(c)).

22 External borrowings *(continued)*

Borrowing facilities

At 31 December 2020, the Group has £160.0 million (2019: £96.0 million) of undrawn loans under floating rate bilateral facility agreements of £32.0 million each with five banks. Of these facilities, £32.0 million is due to expire in July 2021 and £128.0 million is due to expire in July 2022. These facilities are secured on the assets of the Group and hence have recourse to the Group balance sheet.

Also, at 31 December 2020, Amey Defence Services Limited has £1.0 million (2019: £23.0 million) of other bank loans undrawn on its bank loan facility without recourse to the Group balance sheet but which is secured on the assets of that subsidiary. This facility is due to expire in June 2021 but the Group remains confident about renewing this facility for a further year.

Since 31 December 2020, the Group has entered into four further agreements with lenders under floating rate bilateral facility agreements for additional funding of £40.0 million with recourse to the Group balance sheet. These new facilities are due to expire in July 2022.

External borrowing at 31 December 2020 mature as follows:

	Bank loans with recourse 2020 £'000	Other bank loans without recourse 2020 £'000	PFI/PPP Non-recourse term loans 2020 £'000	Finance lease liabilities 2020 £'000	Non-controlling interest shareholder loan 2020 £'000	Total 2020 £'000
Due within 1 year	**-**	**22,000**	**930**	**19,458**	**-**	**42,388**
Due within 1 to 2 years	**-**	**-**	**2,230**	**15,990**	**-**	**18,220**
Due within 2 to 5 years	**-**	**-**	**7,588**	**25,501**	**-**	**33,089**
Due after more than 5 years	**-**	**-**	**37,858**	**9,240**	**100**	**47,198**
	-	**22,000**	**48,606**	**70,189**	**100**	**140,895**

	2019 £'000	2019 £'000	2019 £'000	2019 £'000	2019 £'000	2019 £'000
Due within 1 year	-	-	-	13,959	-	13,959
Due within 1 to 2 years	32,000	-	-	11,317	-	43,317
Due within 2 to 5 years	32,000	-	-	19,533	-	51,533
Due after more than 5 years	-	-	-	7,251	100	7,351
	64,000	-	-	52,060	100	116,160

The weighted average interest rate for bank loans with recourse was 1.1% (2019: 1.1%) other bank loans without recourse 1.75% (2019: 1.75%) and for PFI/PPP Non-recourse term loans was 1.1% (2019: 1.8%). The interest rate on the finance lease liabilities are fixed at a weighted average rate of 4.0% (2019: 4.0%). The interest rate on the non-controlling interest shareholder loan is fixed at three-month LIBOR plus margin of 3.0% (2019: 3.0%).

There was no difference between the external borrowings shown above and their equivalent fair values for 2020 and 2019. Fair value has been based on carrying amount.

22 External borrowings *(continued)*

Liquidity risk

Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price. Group Treasury is responsible for liquidity, funding and settlement management. In addition, liquidity and funding risks, as well as related processes and policies, are overseen by management. The Group manages its liquidity risk on a Group basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility. In accordance with IFRS 7, the table below contains both the repayment of principal and associated interest payments.

	Bank loans with recourse 2020 £'000	Other bank loans without recourse 2020 £'000	PFI/PPP Non-recourse term loans 2020 £'000	Finance lease liabilities 2020 £'000	Non-controlling interest shareholder loan 2020 £'000	Total 2020 £'000
Due within 1 year	**-**	**22,000**	**1,468**	**21,151**	**4**	**44,623**
Due within 1 to 2 years	**-**	**-**	**2,752**	**17,186**	**4**	**19,942**
Due within 2 to 5 years	**-**	**-**	**8,978**	**26,732**	**12**	**35,722**
Due after more than 5 years	**-**	**-**	**39,978**	**9,370**	**131**	**49,479**
Total	**-**	**22,000**	**53,176**	**74,439**	**151**	**149,766**
Less: impact of future finance costs	**-**	**-**	**(4,570)**	**(4,250)**	**(51)**	**(8,871)**
As reported on the balance sheet	**-**	**22,000**	**48,606**	**70,189**	**100**	**140,895**

	2019 £'000	2019 £'000	2019 £'000	2019 £'000	2019 £'000	2019 £'000
Due within 1 year	-	-	-	14,352	4	14,356
Due within 1 to 2 years	32,030	-	-	12,093	4	44,127
Due within 2 to 5 years	32,030	-	-	22,345	12	54,387
Due after more than 5 years	-	-	-	9,582	135	9,717
Total	64,060	-	-	58,372	155	122,587
Less: impact of future finance costs	(60)	-	-	(6,312)	(55)	(6,427)
As reported on the balance sheet	64,000	-	-	52,060	100	116,160

Bank loans with recourse are drawn down periodically in accordance with business requirements under facilities that are due to expire in 2021 and 2022.

Finance leases relate to many small agreements throughout the Group, none of which are deemed significant enough for separate disclosure.

23 Retirement benefit schemes

The Group operates a number of pension schemes for the benefit of employees and Directors. Trustees or product providers administer the assets of the funded schemes in funds independent from those of the Group. Pension costs in respect of schemes offering defined benefits are assessed in accordance with the advice of independent, qualified actuaries. External professional pension administrators normally conduct the administration of these schemes.

Defined contribution schemes

The principal defined contribution schemes are as follows:

- *Amey Group Flexible Retirement Plan*, offered to new employees at Amey and for current employees previously in various legacy defined contribution schemes which have now closed
- *The People's Pension,* a workplace pension utilised as Amey's primary automatic enrolment solution

The pension expense recognised in the income statement in respect of defined contribution schemes was £31.3 million (2019: £29.2 million).

Defined benefit schemes

The Group sponsors a number of defined benefit pension schemes, offering benefits based on an employee's final salary. The assets for these schemes are held in separate, trustee administered funds. The principal defined benefit schemes are as follows:

- *Amey OS Pension Scheme*
  - *APS section* - previously offered to eligible staff that had not been transferred into the Group via acquisition or outsourcing. However, this scheme does include staff that transferred out of the Ministry of Defence at the time the Comax business separated from the Defence Evaluation and Research Agency. This scheme is closed to new entrants and future accrual ceased for existing members with effect from 5 April 2012
  - *Amey section* - offered historically to former public sector employees who transferred into the Group under a variety of public sector outsourcing contracts. This is now essentially closed to new members
  - *Accord section* - provided historically for those eligible employees who worked principally within Accord Limited, a subsidiary of Enterprise acquired in 2013. This is now essentially closed to new members
- *Railways Pension Scheme,* - this is an industry-wide pension scheme for railways employees and provides for those eligible employees who are working within Amey Rail Limited, Amey OWR Limited or elsewhere in the Group. Amey has two shared-cost sections; the Amey Rail Section and Owen Williams Section. The Group accounts for its share of the separately identified assets and liabilities of these Sections and the Group cannot be held liable for the obligations of other entities that participate in this scheme and as such only makes contributions in respect of its sections.
- *Citrus Pension Scheme,* this scheme is now closed to new entrants and future accrual ceased for existing members with effect from 31 October 2016. The Group accounts for its share of the separately identified assets and liabilities of this scheme
- *West Yorkshire Pension Fund,* the Group has a liability to this scheme for former eligible Wakefield Council employees who transferred into the Group under TUPE transfer arrangements
- *West Midlands Pension Fund,* the Group has a liability to this scheme for former eligible Walsall Council employees who transferred into the Group under TUPE transfer arrangements

Given the similar characteristics of the principal defined benefit schemes, the schemes have been combined in these disclosures for presentational purposes.

For schemes that are closed to new entrants, the current service costs as a percentage of pay are expected to rise significantly as members approach retirement.

The Group's various defined benefit pension schemes are regulated by The Pensions Regulator under the UK regulatory framework. The corporate Trustees of the schemes are responsible for carrying out triennial funding valuations, with the advice of an independent, qualified actuary, in order to set the contributions due to the schemes. The Trustees are also responsible for ensuring that the schemes are appropriately managed and that members' benefit entitlements are secure. The Trustees' other duties include administration of scheme benefits and investment of scheme assets (subject to appropriate consultation with the Group). The Group works closely with the Trustees to manage the pension schemes but has no representation on the Trustee Boards.

23 Retirement benefit schemes *(continued)*

Defined benefit schemes *(continued)*

Past service costs/credits have been recognised in respect of plan amendments, namely:

- A past service cost of £0.4m has been recognised for the APS section of the Amey OS Pension Scheme in respect of GMP equalisation for historical transfers out of the Scheme, following the latest legal judgment in the Lloyds equalisation case dated 20 November 2020. No past service costs have been recognised for the other schemes as the impact has been judged to be immaterial.
- In December 2020, following agreement with the appropriate membership bodies and the Trustees, the cap on future pensionable salary increases for members of both of the Group's sections of the Railways Pension Scheme was reduced from the lower of the increase in Retail Prices Index limited or 2.25% pa to a lower cap of 0.50% p.a., resulting in a past service credit of £2.1m to be recognised in the financial statements.

The Group has determined that it has a right to the refund of surplus on wind-up from each of the principal defined benefit pension schemes, and has therefore recognised any balance sheet surpluses that have emerged at the balance sheet date.

In addition to the principal defined benefit pension schemes, the Group is also a participating employer in the Local Government Pension Scheme (LGPS) via the following Funds. The Group accounts for its share of the separately identified assets and liabilities of the LGPS and the Group cannot be held liable for the obligations of other entities that participate in this scheme and as such only makes contributions in respect of its sections. The Group's share of the liabilities in these LGPS Funds is immaterial compared to the principal defined benefit pension schemes and therefore has been aggregated alongside the principal schemes.

- *West Yorkshire Pension Fund*, the Group has a liability to this scheme for former eligible Wakefield Council employees who transferred into the Group under TUPE transfer arrangements
- *West Midlands Pension Fund*, the Group has a liability to this scheme for former eligible Walsall Council employees who transferred into the Group under TUPE transfer arrangements

The latest actuarial funding valuations of the Group's principal defined benefit schemes have been updated by the actuaries to 31 December 2020 on a basis consistent with the requirements of IAS 19. In particular, scheme liabilities have been discounted using the rate of return on high quality bonds rather than the expected rate of return on the assets used in the scheme funding valuations. The latest scheme funding valuations were carried out on the dates indicated below.

	Date of latest valuation
Amey OS Pension Scheme – all sections	30 September 2017
Railways Pension Scheme	31 December 2016
Citrus Pension Scheme	31 March 2018
West Yorkshire Pension Fund	31 March 2019
West Midlands Pension Fund	31 March 2019

The principal actuarial assumptions used are as follows:

	2020 %	2019 %
Rate of increase in salaries	**0.45 – 3.10**	1.85 – 3.35
Rate of increase in pensions in payment	**1.55 – 3.55**	1.60 – 3.65
Discount rate	**1.25**	2.05
Inflation assumption – RPI	**2.80**	3.05
Inflation assumption – CPI – pre 2030	**1.7**	2.05
Inflation assumption – CPI – post 2030	**2.7**	2.05

23 Retirement benefit schemes *(continued)*

Defined benefit schemes *(continued)*

The mortality assumptions have been updated in the year and life expectancies are as follows:

	2020 Years	2019 Years
Remaining life of members aged 65		
- men	**21.3 – 23.6**	19.7 – 23.5
- women	**22.2 – 25.1**	23.3 – 26.2
Remaining life of members aged 45		
- men	**22.6 – 26.3**	21.1 – 26.3
- women	**23.7 – 26.8**	24.8 – 28.6

The duration of a scheme is an indicator of the weighted-average time until benefit payment will be made. For the schemes in aggregate, the duration is around 18.0 years reflecting the appropriate split of the defined benefit obligation between current employees, deferred members and pensioners.

The amount recognised in the balance sheet was as follows:

	2020 £'000	2019 £'000
Present value of funded obligations	**(1,054,222)**	(939,737)
Fair value of plan assets	**1,005,129**	928,434
Deficit	**(49,093)**	(11,303)
Present value of unfunded obligations	**-**	(485)
Liability on the balance sheet	**(49,093)**	(11,788)

Any surpluses in the schemes have been recognised on the basis that the Group has determined that it has a right to a refund of a surplus from all schemes under IFRIC 14.

The amount recognised in the income statement was as follows:

	2020 £'000	2019 £'000
Current service cost (note 6)	**2,851**	3,581
Past service credit (note 6)	**(1,857)**	-
Total included under staff costs	**994**	3,581
Pension scheme administration costs	**1,101**	962
Finance expense (note 8)	**45**	134
Total income statement charge	**2,140**	4,677

Pension expense, excluding interest, is charged to contracts or overhead based on a share of scheme members and is included in cost of sales: net operating expenses. The best estimate of the contributions expected to be paid to the defined benefit schemes for the next financial year is £2.2 million for regular payments and £15.8 million for additional top-up payments.

The amount recognised in other comprehensive income was as follows:

	2020 £'000	2019 £'000
Actuarial losses	**55,500**	12,402
Total expense recognised in the SOCI	**55,500**	12,402

Actuarial gains and losses have been reported in the SOCI. The Group's share of the actual performance of fund assets was an increase of £90.2 million (2019: £97.6 million increase).

23 Retirement benefit schemes *(continued)*

Defined benefit schemes *(continued)*

The movements in the balance sheet liability were as follows:

	2020 £'000	2019 £'000
At 1 January	**11,788**	13,512
Total income statement charge	**2,140**	4,677
Total expense recognised in the SOCI	**55,500**	12,402
Employer contributions – regular payments	**(2,184)**	(2,935)
Employer contributions – additional top-up payments	**(18,151)**	(15,868)
At 31 December	**49,093**	11,788

The movements in the present value of fund obligations were as follows:

	2020 £'000	2019 £'000
At 1 January	**940,222**	854,150
Service cost, including employees' share	**2,940**	3,704
Curtailment of pension obligations	**(1,857)**	-
Interest cost	**18,941**	23,948
Actuarial losses due to changes in financial assumptions	**140,504**	100,501
Actuarial gains due to changes in demographic assumptions	**(8,205)**	(16,105)
Experience losses on defined benefit obligations	**(5,533)**	1,832
Benefits paid	**(32,790)**	(27,808)
At 31 December	**1,054,222**	940,222

The movements in the fair value of fund assets were as follows:

	2020 £'000	2019 £'000
At 1 January	**928,434**	840,638
Interest on assets	**18,896**	23,814
Actuarial gains	**71,266**	73,826
Administration expenses	**(1,101)**	(962)
Contributions from employees	**89**	123
Employer contributions – regular payments	**2,184**	2,935
Employer contributions – additional top-up payments	**18,151**	15,868
Benefits paid	**(32,790)**	(27,808)
At 31 December	**1,005,129**	928,434

The fair values of the assets held by the various schemes were as follows:

	2020 £'000	2019 £'000
Equities	**274,456**	254,426
Corporate bonds	**178,425**	144,324
Government bonds	**473,134**	416,046
Property	**50,802**	50,564
Cash and cash equivalents	**28,312**	63,074
	1,005,129	928,434

The assets held by the various schemes do not directly include any of the Group's own financial instruments, nor any property occupied by, nor any other assets used by the Group.

23 Retirement benefit schemes *(continued)*

Defined benefit schemes *(continued)*

The sensitivity of the balance sheet position to changes in the key assumptions based on a reasonable approximation of possible changes is set out below. The sensitivities have been calculated using the same approach as at the previous year end, which involves calculating new values for the liabilities and assets under the scenarios set out below, whilst keeping all other assumptions constant.

Assumption	Increase in liability on the balance sheet £'000
+0.5% change to the RPI assumption	**119,100**
-0.5% change to discount rate assumed	**144,400**
Members' life expectancy increases by one year	**82,400**

The key risks impacting the Group's pension schemes are set out below:

Investment Risk: The Schemes' accounting liabilities are calculated using a discount rate set with reference to the yield available on high-quality corporate bonds as required by the standard. If the Schemes' assets underperform this yield, this will cause a deficit to emerge in the Schemes over time. The Schemes hold growth assets, such as equities, property and hedge funds. These asset classes are expected to outperform corporate bonds over the long-term but are more volatile and generate risk for the Schemes in the short-term. However, the Schemes hold a diversified portfolio of assets to minimise this risk. The Schemes also hold insurance policies in respect of some pensioner members for the sections of the Amey OS Pension Scheme. These policies broadly match the benefits provided by the Schemes in respect of the covered members, and therefore act to reduce investment risk. The Group has ensured that a robust investment management framework is in place to mitigate as much as possible the risks associated with the investment strategy.

Changes in bond yields: A decrease in corporate bond yields will increase the value placed on the Schemes' liabilities. This will be partially offset by an increase in the value of the Schemes' holdings in Liability-Driven Investments (LDI), gilts, corporate bonds and insurance policies, which the Schemes hold in order to match some of the movement in their liabilities. However, some of the assets held to match movements in liabilities are held to match movements in gilt yields. This will match movement in the accounting liabilities to the extent that the corporate bond yields move alongside gilt yields. As such the Schemes are exposed to movement in the spread between gilt yield and corporate bond yields.

Inflation risk: Many of the Schemes' benefits are linked to inflation so higher expectations of future inflation leads to a higher value being placed on the liabilities. However, there are caps on the level of inflationary increases which protect the Schemes in the extent of extreme inflation. The Schemes each hold assets to match a specified proportion of movements in inflation. The remainder of the assets are unaffected by (i.e. fixed interest bonds) or loosely correlated with (i.e. equities and property) inflation, meaning that an increase in inflation will also increase the deficit. The extent to which the Schemes' liabilities move due to inflation varies on a scheme by scheme basis, influenced by the benefits provided by the individual pension schemes. Liabilities will also increase should actual inflation be higher than expected in the liability valuation. No account has been taken of the UK Government's proposed change in the inflation RPI to CPIH. As at 31 December 2019, this was only a proposal and was not certain.

Life expectancy: The Schemes' obligations are to provide benefits for the life of the member after retirement and their spouse following the member's death. As a result, higher life expectancies will lead to a higher value being placed on the liabilities. This is particularly relevant where the Schemes have significant inflationary increases, as this results in a higher sensitivity to changes in life expectancy. The Group notes that this is a risk to which any defined benefit pension scheme is exposed, and that, alongside the Trustee of the Amey OS Pension Scheme, it has taken steps to mitigate risk through purchasing insurance policies in respect of a portion of the Amey OS Pension Scheme's membership. Holding insurance policies in respect of some pensioner members reduces the sensitivity to changes in life expectancies, but this remains a risk in respect of non-pensioner members of the Schemes whose obligations are more sensitive to increases in future improvements in life expectancies and are not covered by the insurance policies. Following the Government's announcement in November 2020 that RPI would be aligned with CPIH from 2030, the approach for deriving the inflation assumptions has changed. There is a different approach to pre- and post- 2030 assumptions with a term-dependent approach for deriving the CPI assumption and the Inflation Risk Premium has increased from 0.20% to 0.40%.

24 Provisions for other liabilities and charges

	Onerous lease provision £'000	Insurance reserve £'000	Contract loss and claims provision £'000	Joint venture loss provision £'000	Landfill site provision £'000	Total £'000
At 1 January 2019	2,801	16,819	269,174	9,750	4,795	303,339
Income statement – cost of sales	981	7,038	42	(2,192)	26	5,895
Income statement – finance costs (discount unwind)	-	-	4,757	-	-	4,757
Utilisation	(263)	(5,994)	(197,685)	-	(1,318)	(205,260)
Share of movements of joint ventures in the SOCI	-	-	-	(450)	-	(450)
Reclassed as assets held for sale (see note 1(c) and 17)	-	-	(15,515)	(3,962)	(3,503)	(22,980)
At 31 December 2019	**3,519**	**17,863**	**60,773**	**3,146**	**-**	**85,301**
Income statement – cost of sales	**668**	**2,883**	**9,517**	**-**	**-**	**13,068**
Income statement – finance costs (discount unwind)	**-**	**-**	**1,442**	**-**	**-**	**1,442**
Utilisation	**(129)**	**(4,436)**	**(11,244)**	**-**	**-**	**(15,809)**
Share of movements of joint ventures in the SOCI	**-**	**-**	**-**	**1,691**	**-**	**1,691**
Reclassed from assets held for sale (see note 1(c) and 17)	**-**	**-**	**62,085**	**4,280**	**1,894**	**68,259**
At 31 December 2020	**4,058**	**16,310**	**122,573**	**9,117**	**1,894**	**153,952**
As presented on the balance sheet:						
Current liabilities	**738**	**5,376**	**37,820**	**-**	**-**	**43,934**
Non-current liabilities	**3,320**	**10,934**	**84,753**	**9,117**	**1,894**	**110,018**
At 31 December 2020	**4,058**	**16,310**	**122,573**	**9,117**	**1,894**	**153,952**
Current liabilities	738	5,445	20,016	-	-	26,199
Non-current liabilities	2,781	12,418	40,757	3,146	-	59,102
At 31 December 2019	3,519	17,863	60,773	3,146	-	85,301

At 31 December 2019, the Group reclassed certain provisions for other liabilities and charges as part of liabilities held for sale following the strategic review of the Group by the Directors and the decision to divest the Utilities and the Environmental Services' Treatment and Collections business areas (see note 1(c)).

At 31 December 2020, following the change in perimeter of assets held for sale, provisions have been reclassed from assets held for sale (see notes 1(b) and 17) as they no longer fall into scope. These have been transferred at book value at 31 December 2020. The table below sets out the movement on these provisions during the year:

	Contract loss and claims provision £'000	Joint venture loss provision £'000	Landfill site provision £'000	Total £'000
At 1 January 2020	15,515	3,962	3,503	22,980
Income statement – cost of sales	46,570	-	(1,609)	44,961
Share of movements of joint ventures in the SOCI	-	318	-	318
At 31 December 2020	62,085	4,280	1,894	68,259

24 Provisions for other liabilities and charges *(continued)*

The onerous lease provision is in respect of property leases and also includes provision for dilapidations. This is expected to be utilised over and at the end of the remaining lease terms. The insurance reserve represents claims made for which the Group is considered liable and will be utilised as the claims are settled. The contract loss and claims provision represent estimated losses arising from disputes and future contract losses, which will both be utilised as the losses arise. The contract loss provision includes discounted exit settlement payments on the Birmingham City Council Highways PFI contract of £41.9 million, an £8.5 million provision for settlement of a contract dispute with a Ferrovial owned company, £39.8 million in respect of future contract losses on the Milton Keynes waste management contract, £10.0 million on the Sheffield Highways PFI contract, £9.8 million in respect of the Isle of Wight waste management contract, £9.5 million on the Surrey waste collections contract and £3.0 million covering certain Utilities contracts not forming part of discontinued activities. The joint venture loss provision represents the Group's share of losses recognised which principally arise from deficits on fair value of derivatives and will reverse over the period over which those derivatives are held, which can be for up to a further 20 years. The landfill site provision represents the Group's post-closure cost for site restoration and aftercare for up to sixty years. The timing of future utilisation of provisions can be uncertain, particularly with regard to insurance claims, but there is more certainty with regards to the timing of utilisation on the other categories of provisions. The future loss provisions on the Milton Keynes, Sheffield and Isle of Wight contracts will be utilised over the remaining terms of those contracts, being eleven, seventeen and twenty years respectively. Future loss provisions have been discounted at a rate of 3% per annum (2019: 3%).

25 Share capital

Ordinary shares of £1 each	**Number**	**£'000**
Authorised		
At 1 January 2019, 31 December 2019 and at 31 December 2020	**204,000,000**	**204,000**
Issued, allotted, called up and fully paid		
At 1 January 2019, 31 December 2019 and at 31 December 2020	**203,676,768**	**203,677**

26 Other equity instruments

	£'000
At 1 January 2019	61,198
Second issue of Other equity instrument	200,000
Accrued dividend for the year	1,834
At 31 December 2019	**263,032**
Third issue of Other equity instrument	**169,000**
Fourth issue of Other equity instrument	**111,956**
Accrued dividend for the year	**1,880**
At 31 December 2020	**545,868**

On 30 April 2018, Ferrofin SL (a Ferrovial, S.A. group company), issued an Other equity instrument to the Group (through a subordinated hybrid loan facility to Amey UK plc) for cash of £60.0 million. On 8 July 2019, £200.0 million of the Group's existing subordinated loans from Landmille Limited and held by a subsidiary undertaking, Amey plc, were converted into a second Other equity instrument (also a subordinated hybrid loan) with Landmille Limited.

On 26 February 2020, £169.0 million of the Group's remaining existing subordinated loans from Landmille Limited and held by a subsidiary undertaking, Amey plc, were converted into a third Other equity instrument with Landmille Limited (through a further subordinated hybrid loan).

On 31 December 2020, the Group's existing £60.0 million subordinated hybrid loan held by Amey UK plc from Ferrofin SL was converted and consolidated with a further issue of subordinated hybrid loans of £103.1 million into a restated subordinated hybrid loan from Ferrofin SL. The proceeds from the further issue were used to repay a subordinated loan from Ferrofin SL of £78.1 million and to extinguish £25.0 million of other liabilities due to the Ferrovial group. This restated loan of £163.1 million is classed as Other equity instrument and is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points which rises to 12-month LIBOR plus 500 basis points if Group Profits Before Interest, Tax, Depreciation and Amortisation ('EBITDA') is above a set threshold.

26 Other equity instruments *(continued)*

Also, on 31 December 2020, the Group's remaining subordinated loan from Landmille Limited (held by Amey plc) of £8.8 million was converted and consolidated with the existing £200.0 million and £169.0 million subordinated hybrid loans from Landmille Limited. The resulting restated subordinated hybrid loan of £377.8 million was also assigned from Landmille Limited to Ferrofin SL. This restated loan million is classed as Other equity instrument and is a perpetual loan that is initially interest free but bears interest at 12-month LIBOR plus 700 basis points if Group Profits Before Interest, Tax, Depreciation and Amortisation ('EBITDA') is above a set threshold.

Both of the hybrid loans in issue at 31 December 2020, and all previous hybrid loans, have no specified maturity date but can be redeemed by the Group at any time. The Group also has the power to delay timing of the interest payment at its sole discretion which cannot be claimed by the lender.

As it is at the Group's discretion to decide both the repayment of the principal and the possibility of deferring the payment of interest, the loans do not satisfy the condition to be accounted for as a financial liability since they do not include a contractual obligation to pay cash or other financial assets to discharge the liability. Accordingly, they are classified as equity instrument and are recognised as 'Other equity instruments'. The accrued interest is recognised in reserves and treated in the same way as dividends. The total interest accrued on all subordinated hybrid loans at 31 December 2020 was £4.9 million (2019: £3.0 million).

27 Non-controlling interests

The aggregate share of non-controlling interests in the results and net assets of the Group was as follows:

	AmeyCespa Limited and subsidiary companies 2020 £'000	**Other group companies 2020 £'000**	**Total 2020 £'000**	AmeyCespa Limited and subsidiary companies 2019 £'000	Other group companies 2019 £'000	Total 2019 £'000
Share of revenue	**38,940**	**11,626**	**50,566**	41,348	9,191	50,539
Share of (loss) profit after tax	**(30,088)**	**112**	**(29,976)**	(30,970)	149	(30,821)
Share of other comprehensive (expense) income	**(306)**	**-**	**(306)**	2,866	-	2,866
Share of gross assets	**91,462**	**3,638**	**95,100**	97,525	2,296	99,821
Share of gross liabilities	**(158,667)**	**(3,272)**	**(161,939)**	(134,335)	(2,043)	(136,378)
Share of net (liabilities) assets	**(67,205)**	**366**	**(66,839)**	(36,810)	253	(36,557)

The non-controlling interest in AmeyCespa Limited and subsidiary companies is held by a fellow Ferrovial, S.A. group company. Details of all subsidiary companies, and the percentage interest held in those subsidiaries, are shown in note 31.

28 Cash flow generated from operating activities

	Continuing operations 2020 £'000	**Discontinued operations 2020 £'000**	**Total 2020 £'000**	Continuing operations 2019 *(re-presented)* £'000	Discontinued operations 2019 *(re-presented)* £'000	Total 2019 £'000
Loss before tax	**(97,972)**	**1,105**	**(96,867)**	(109,240)	(98,564)	(207,804)
Adjustment for net finance expense						
Finance income	**(8,399)**	**(154)**	**(8,553)**	(9,041)	(136)	(9,177)
Finance costs	**14,642**	**476**	**15,118**	38,882	894	39,776
	6,243	**322**	**6,565**	29,841	758	30,599
Adjustment for non-cash movements						
Depreciation of property, plant and equipment			**27,192**			27,664
Amortisation of intangible assets			**17,271**			23,943
Impairment of assets			**11,360**			163,783
Non-cash pension credit			**(18,240)**			(14,260)
Share of profit after tax of joint ventures			**(4,969)**			(14,006)
(Profit) loss on disposal of property, plant and equipment			**(382)**			295
(Profit) loss on disposal of investments			**(2,163)**			33
Non-cash provisions movement			**58,329**			8,087
			88,398			195,539
Movement in working capital						
Decrease in inventories			**4,530**			2,707
Decrease in receivables			**116,359**			61,044
Decrease in payables			**(45,240)**			(48,464)
Utilisation of provisions			**(15,809)**			(205,260)
			59,840			(189,973)
Cash flow generated (absorbed) by operating activities			**57,936**			(171,639)

Comparative information has been re-presented for discontinued activities (see note 1(c)).

29 Changes in financial liabilities arising from financing activities

The following financial liabilities form part of the overall financing of the Group:

	2020 £'000	2019 £'000
Bank loans with recourse	**-**	64,000
Other bank loans without recourse	**22,000**	-
Finance lease liabilities	**70,189**	52,060
PFI/PPP Non-recourse term loans	**48,606**	-
Non-controlling interest shareholder loan	**100**	100
Amounts due to Landmille Limited (current)	**-**	177,527
Amounts due to Ferrofin, SL (current)	**-**	76,134
Amounts due to Ferrovial, S.A. group undertaking (current)	**32,590**	-
Total external borrowings and Ferrovial, S.A. group loans	**173,485**	369,821
Derivative financial instrument liabilities	**18,833**	-
Total finance liabilities forming part of financing	**192,318**	369,821

The changes in financial liabilities arising from financial activities are set out below:

	2020 £'000	2019 £'000
Total financial liabilities forming part of financing at the start of the year	**369,821**	473,356
Cash movements on financial liabilities:		
(Repayment) drawdown of bank loans with recourse	**(64,000)**	64,000
Advances of other bank loans with recourse	**22,000**	-
Repayment of finance leases	**(13,203)**	(20,987)
Repayment of PFI/PPP Non-recourse term loans	**-**	(642)
Advance of Ferrofin, SL loan	**-**	75,000
	(55,203)	117,371
Non-cash movements on financial liabilities:		
Conversion of Landmille Limited and Ferrofin, SL loan to Other equity instrument	**(255,956)**	(200,000)
Impact of adoption of IFRS 16 (Leases) – recognition of finance leases	**-**	68,644
Inception of new finance leases	**15,992**	29,623
Early release from existing finance leases	**(2,098)**	(5,837)
Roll up of unpaid interest on amounts due to Ferrovial, S.A. group undertaking	**2,295**	10,926
Change in fair value of derivative financial instrument liabilities	**-**	676
Financial liabilities classed as part of liabilities held for sale	**117,467**	(124,938)
	(122,300)	(220,906)
Total reduction in financial liabilities arising from financial activities	**(177,503)**	(103,535)
Total financial liabilities forming part of financing at the end of the year	**192,318**	369,821

30 Finance leases – additional disclosures

The changes in financial lease liabilities are set out below:

	2020 £'000	2019 £'000
At 1 January	**52,060**	7,206
Impact of adoption of IFRS 16 (Leases) – recognition of finance leases	**-**	68,644
Inception of new finance leases	**15,992**	29,623
Interest payable on finance leases	**2,257**	2,326
Early release from existing finance leases	**(2,098)**	(5,837)
Total finance leases before payments	**68,211**	101,962
Repayment of finance lease principal	**(13,203)**	(20,987)
Payment of finance lease interest	**(2,257)**	(2,326)
Total payments in respect of finance leases	**(15,460)**	(23,313)
Reclassed from (to) liabilities held for sale	**17,438**	(26,589)
At 31 December	**70,189**	52,060

The Group's leasing activities comprise rentals of property, vehicles and IT infrastructure. Short-term rentals of less than twelve months and low value assets of less than €5,000 (equivalent to £4,476) are treated as other lease commitments rentals with all long-term and high value assets accounted for as finance leases. All future cash flows arising on leases are considered when measuring finance leases and are based on the contractual terms of the lease agreed. The Group's leasing arrangements do not have any variable payment mechanisms and no residual values have been ascribed to the leases. The Group has not entered into any sale or leaseback type of transaction. As at 31 December 2020, there were no leases not yet commenced to which the Group was committed (2019: none).

The average interest rate applied on finance leases both on adoption of IFRS 16 and during both of the years was 3.9% for leasehold property and 4.1% for plant and machinery. The Group took advantage of the practical expedients available in IFRS 16 to apply a single discount rate to a portfolio of leases and to apply accounting for short-term leases for leases where the lease term ends within twelve months of the date of transition to IFRS 16.

31 Subsidiary undertakings, joint venture undertakings and jointly controlled operations

All subsidiary undertakings are incorporated in England and Wales and operate principally in the UK (unless otherwise indicated). Amey Power Services Limited has a branch in The Republic of Ireland. The Group's voting rights and the interest in their equity shares are 100% (unless otherwise indicated). Where the Group does not hold 100%, then the Group accounts for the corresponding Non-Controlling interest (see note 27). All interests are held through another subsidiary undertaking with the exception of Amey Holdings Limited, which is held directly by Amey UK plc. All subsidiary undertakings have been consolidated.

Active subsidiary undertaking	Nature of business
Amey Holdings Limited	Holding company
Amey plc	Holding company
Accord Limited	Holding company
Amey (IOW) SPV Limited	Waste management
Amey Community Limited	Building support services
Amey Construction Limited	Highway management and maintenance
Amey Consulting Australia Pty Limited *(Australia)*	Highway management and maintenance *(Australia)*
Amey Consulting USA, Inc. *(USA)*	Highway management and maintenance *(USA)*
Amey Defence Services Limited	Facilities management and buildings maintenance
Amey Defence Services (Housing) Limited	Housing maintenance on behalf of the MOD
Amey Environmental Services Limited	Waste management
Amey Finance Services Limited	Group insurance activities
Amey Fleet Services Limited	Specialist fleet support services
Amey Group Information Services Limited	Group IT services
Amey Group Services Limited	Group central services
Amey Highways Limited	Highway management and maintenance
Amey Investments Limited	Investment holdings
Seilwaith Amey Cymru/Amey Infrastructure Wales Limited (formerly Amey Keolis Infrastructure/Seilwaith Amey Keolis Limited) (90%)	Rail services, management and maintenance
Amey LG Limited	Highway management and maintenance
Amey LUL 2 Limited	Sub-surface rail management services
Amey Mechanical and Electrical Services Limited	Building support services
Amey Metering Limited	Metering services
Amey OW Limited	Professional services to highways market
Amey OWR Limited	Professional services to rail market
Amey Power Services Limited	Power network maintenance
Amey Programme Management Limited	Building support services
Amey Public Services LLP (67%)	Highway management and maintenance
Amey Rail Limited	Rail services, management and maintenance
Amey Roads (North Lanarkshire) Limited (67%)	Highway management and maintenance
Amey Services Limited	Payroll services
Amey TPT Limited	Professional services to rail market
Amey Utility Services Limited	Utilities network maintenance
Amey Ventures Limited	Bid management
Amey Ventures Asset Holdings Limited	Investment holdings
Amey Ventures Management Services Limited	Investment management
Amey Wye Valley Limited (80%)	Highways maintenance and other services
AmeyCespa Limited (50%)	Waste management
AmeyCespa (AWRP) ODC Limited (50%)	Waste management
AmeyCespa (East) Limited (50%)	Waste management
AmeyCespa (East) Holdings Limited (50%)	Holding company
AmeyCespa (MK) ODC Limited (50%)	Waste management
AmeyCespa Services (East) Limited (50%)	Waste management
AmeyCespa WM (East) Limited (50%)	Waste management
A.R.M. Services Group Limited	Holding company
Brophy Grounds Maintenance Limited	Environmental services
Byzak Limited	Water systems maintenance
C.F.M. Building Services Limited *(Scotland)*	Buildings maintenance
Enterprise plc	Holding company
Enterprise (AOL) Limited	Environmental services and highways maintenance
Enterprise (Venture Partner) Limited	Investment holdings
Enterprise Holding Company No.1 Limited	Holding company
Enterprise Managed Services Limited	Utilities network maintenance and environmental services
EnterpriseManchester Partnership Limited (80%)	Environmental services
Enterprise Public Services Limited	Holding company
Fleet and Plant Hire Limited	Specialist fleet support services
Globemile Limited	Holding company
Heating and Building Maintenance Company Limited	Facilities management
MRS Environmental Services Limited	Environmental services
Nationwide Distribution Services Limited	Highways maintenance and other services
Novo Community Limited	Rehabilitation and offender management services
Sherard Secretariat Services Limited	Company secretarial services
Slough Enterprise Limited	Environmental services

On 7 February 2021, the Group acquired the remaining 10% shareholding in Seilwaith Amey Cymru/Amey Infrastructure Wales Limited (formerly Amey Keolis Infrastructure/Seilwaith Amey Keolis Limited). That company is now wholly owned.

31 Subsidiary undertakings, joint venture undertakings and jointly controlled operations *(continued)*

Dormant subsidiary undertaking	
Access Hire Services Limited	Durley Group Holdings Limited
Accord Asset Management Limited	Enterprise (ERS) Limited
Accord Consulting Services Limited	Enterprise Building Services Limited
Accord Environmental Services Limited	Enterprise Business Solutions 2000 Limited
Accord Network Management Limited	Enterprise Fleet Limited
Allerton Waste Recovery Park Interim SPV Limited (50%)	Enterprise Foundation (ETR) Limited
Amey 1321 Limited	Enterprise Islington Limited
Amey Building Limited	Enterprise Lighting Services Limited
Amey Datel Limited	Enterprise Managed Services (BPS) Limited
Amey Equitix Smart Meters 1 Holdings Limited	Enterprise Utility Services (DCE) Limited*
Amey Equitix Smart Meters 1 SPV Limited	Enterprise Utility Services (TBC) Limited*
Amey Facilities Partners Limited	Haringey Enterprise Limited
Amey IT Services Limited	Hillcrest Developments (Yorkshire) Limited
Amey MAP Services Limited	ICE Developments Limited
Amey OW Group Limited	JDM Accord Limited
Amey Railways Holding Limited	JNP Ventures Limited
Amey Technology Services Limited	JNP Ventures 2 Limited
Amey Tramlink Limited	JJ McGinley Limited
Amey Tube Limited	MRS St Albans Limited
Byzak Contractors (Scotland) Limited* *(Scotland)*	TPI (Holdings) Limited
Comax Holdings Limited	Transportation Planning (International) Limited
Countrywide Property Inspections Limited	Trinity Group Holdings Limited
CRW Maintenance Limited	Wimco Limited

* Company is in member's voluntary liquidation. Byzak Contractors (Scotland) Limited was dissolved on 10 February 2021.

Amey Equitix Smart Meters 1 Holdings Limited, Amey Equitix Smart Meters 1 SPV Limited and Amey MAP Services Limited all have financial periods ending on 28 February. Accord Network Management Limited, EnterpriseManchester Partnership Limited and Enterprise Foundation (ETR) Limited all have financial periods ending on 31 March. All other subsidiary undertakings have financial periods ending on 31 December. Where a subsidiary undertaking does not have a coterminous year end, interim financial statements have been prepared.

31 Subsidiary undertakings, joint venture undertakings and jointly controlled operations *(continued)*

The Group's joint venture undertakings, which are registered in England and Wales (unless otherwise indicated), and the proportion of equity or indirectly are as follows:

Joint venture undertaking	Nature of business	Class of share held	2020 % held	2019 % held
ALC (FMC) Limited	PFI asset management concession for the MOD	Ordinary	**50.0**	50.0
AmeyBreathe Limited	Energy efficiency design and installation	Ordinary	**50.0**	50.0
Amey FMP Belfast Strategic Partnership Hold Co Limited	Managing development of schools and libraries in Northern Ireland	Ordinary	**70.0**	70.0
Amey FMP Belfast Strategic Partnership SP Co Limited	Managing development of schools and libraries in Northern Ireland	Ordinary	**70.0**	70.0
Amey Hallam Highways Holdings Limited	PFI highways concession in Sheffield	See note	**3.3**	3.3
Amey Hallam Highways Limited	PFI highways concession in Sheffield	See note	**3.3**	3.3
Amey Infrastructure Management (1) Limited	Investment holdings	See note	**10.0**	10.0
Amey Infrastructure Management (2) Limited	Investment holdings	See note	**10.0**	10.0
Amey Infrastructure Management (3) Limited	Investment holdings	See note	**10.0**	10.0
Amey Ventures Investments Limited	Investment holdings	Ordinary	**5.0**	5.0
Amey-Webber LLC *(USA)*	Highways maintenance	Ordinary	**51.0**	51.0
AmeyCespa (AWRP) Holding Co Limited	PFI waste management concession	See note	**3.3**	3.3
AmeyCespa (AWRP) SPV Limited	PFI waste management concession	See note	**3.3**	3.3
AmeyCespa (MK) Holding Co Limited	PFI waste management concession	Ordinary	**50.0**	50.0
AmeyCespa (MK) SPV Limited	PFI waste management concession	Ordinary	**50.0**	50.0
AmeyVTOL Limited	Railways maintenance	Ordinary	**60.0**	60.0
EduAction (Waltham Forest) Limited	Education support services outsourcing	Ordinary	**50.0**	50.0
GEO Amey PECS Limited	Prisoner escort and custody services	Ordinary	**50.0**	50.0
Integrated Bradford Hold Co Two Limited	PFI schools concession in Bradford	See note	**0.6**	0.6
Integrated Bradford LEP Limited	PFI schools concession in Bradford	See note	**4.0**	4.0
Integrated Bradford LEP Fin Co One Limited	PFI schools concession in Bradford	See note	**4.0**	4.0
Integrated Bradford PSP Limited	PFI schools concession in Bradford	See note	**5.0**	5.0
Integrated Bradford SPV Two Limited	PFI schools concession in Bradford	See note	**0.6**	0.6
Keolis Amey Docklands Limited	Railways maintenance	Ordinary	**30.0**	30.0
Keolis Amey Operations/Gweithrediadau Keolis Amey Limited	Railways maintenance	Ordinary	**36.0**	36.0
Keolis Amey Metrolink Limited	Railways maintenance	Ordinary	**40.0**	40.0
Keolis Amey Wales Cymru Limited	Railways maintenance	Ordinary	**40.0**	40.0
Ventia Boral Amey NSW Pty Limited *(Australia)*	Highways management and maintenance *(Australia)*	Ordinary	**-**	22.2
Ventia Boral Amey QLD Pty Limited *(Australia)*	Highways management and maintenance *(Australia)*	Ordinary	**-**	20.0
Management & Training Corporation Limited (formerly MTCnovo Limited)	Rehabilitation and offender management services	Ordinary	**-**	50.0
Scot Roads Partnership Holdings Limited *(Scotland)*	Highways maintenance	Ordinary	**20.0**	20.0
Scot Roads Partnership Project Limited *(Scotland)*	Highways maintenance	Ordinary	**20.0**	20.0
Scot Roads Partnership Finance Limited *(Scotland)*	Highways maintenance	Ordinary	**20.0**	20.0

Note – the class of share held by the Group for each of the Companies here noted is 50.1% of Ordinary shares and 10.0% of Preference shares. Percent held represents the economic interest in the joint venture undertaking.

Ventia Boral Amey NSW Pty Limited and Ventia Boral Amey OLD Pty Limited were disposed of in June 2020.

31 Subsidiary undertakings, joint venture undertakings and jointly controlled operations *(continued)*

The following joint venture undertakings, and the Group proportion of equity held, are held indirectly through Amey Ventures Investments Limited:

Joint venture undertaking	Nature of business	Class of share held	2020 % held	2019 % held
AHL Holdings (Manchester) Limited	PFI street lighting concession	Ordinary	**2.5**	2.5
Amey Highways Lighting (Manchester) Limited	PFI street lighting concession	Ordinary	**2.5**	2.5
AHL Holdings (Wakefield) Limited	PFI street lighting concession	Ordinary	**2.5**	2.5
Amey Highways Lighting (Wakefield) Limited	PFI street lighting concession	Ordinary	**2.5**	2.5
ALC (Superholdco) Limited	PFI asset management concession for the MOD	Ordinary	**2.5**	2.5
ALC (Holdco) Limited	PFI asset management concession for the MOD	Ordinary	**2.5**	2.5
ALC (SPC) Limited	PFI asset management concession for the MOD	Ordinary	**2.5**	2.5
Amey Belfast Schools Partnership Hold Co Limited	PFI schools concession	Ordinary	**5.0**	5.0
Amey Belfast Schools Partnership PFI Co Limited	PFI schools concession	Ordinary	**5.0**	5.0
Amey Lighting (Norfolk) Holdings Limited	PFI street lighting concession	Ordinary	**5.0**	5.0
Amey Lighting (Norfolk) Limited	PFI street lighting concession	Ordinary	**5.0**	5.0
Amey Roads NI Holdings Limited *(Northern Ireland)*	PFI highways concession in Northern Ireland	Ordinary	**2.5**	2.5
Amey Roads NI Limited *(Northern Ireland)*	PFI highways concession in Northern Ireland	Ordinary	**2.5**	2.5
Amey Roads NI Financial Limited *(Northern Ireland)*	PFI highways concession in Northern Ireland	Ordinary	**2.5**	2.5
E4D&G Holdco Limited	PFI schools concession in Dumfries & Galloway	Ordinary	**4.3**	4.3
E4D&G Project Co Limited	PFI schools concession in Dumfries & Galloway	Ordinary	**4.3**	4.3
Integrated Bradford Hold Co One Limited	PFI schools concession in Bradford	Ordinary	**1.7**	1.7
Integrated Bradford SPV One Limited	PFI schools concession in Bradford	Ordinary	**1.7**	1.7
RSP (Holdings) Limited *(Scotland)*	PFI schools concession in Renfrewshire	Ordinary	**1.8**	1.8
The Renfrewshire Schools Partnership Limited *(Scotland)*	PFI schools concession in Renfrewshire	Ordinary	**1.8**	1.8
Services Support (Avon and Somerset) Holdings Limited	PFI courts concession in Bristol	Ordinary	**1.0**	1.0
Services Support (Avon and Somerset) Limited	PFI courts concession in Bristol	Ordinary	**1.0**	1.0

The Group also has an interest in the following jointly controlled operations:

Jointly controlled operation	Participating subsidiary	Nature of business	2020 % Held	2019 % held
Amey Black and Veatch	Byzak Limited	Water systems maintenance	**50.0**	50.0
AmeyBroadspectrum *(Australia)*	Amey Consulting Australia Pty Limited	Highways management and maintenance	**-**	25.0
AmeyColas	Amey Rail Limited	Rail track maintenance and renewal	**50.0**	50.0
AmeyInabensa	Amey Rail Limited	Rail track maintenance and renewal	**50.0**	50.0
Amey Lafarge	Amey LG Limited	Highways management and maintenance	**70.0**	70.0
Amey-Miller Glasgow Schools	Amey Programme Management Limited	Building support services	**50.0**	50.0
AmeyMouchel	Amey LG Limited	Highways management and maintenance	**75.0**	75.0
AmeySersa	Amey Rail Limited	Rail track maintenance and renewal	**70.0**	70.0
Amey SRM	Amey OW Limited	Highways management and maintenance	**50.0**	50.0
KeolisAmey	Amey Rail Limited	Rail track maintenance and renewal	**70.0**	70.0
Ventia Boral Amey New South Wales *(Australia)*	Amey Consulting Australia Pty Limited	Highways management and maintenance	**-**	22.2
Ventia Boral Amey Queensland *(Australia)*	Amey Consulting Australia Pty Limited	Highways management and maintenance	**-**	20.0

The jointly controlled operations represent activities where assets have been pooled with other operators within the contract as part of the overall venture. They do not have registered offices other than the registered office of the participating subsidiaries. The principal place of business is Chancery Exchange, Furnival Street, London, EC4A 1AB.

All incorporated joint venture undertakings operate in the UK, with the exception of Amey-Webber LLC (USA). The Amey Broadspectrum, Ventia Boral Amey New South Wales and Ventia Boral Amey Queensland jointly controlled operations are based in Australia and were all disposed of in June 2020. All joint venture undertakings and jointly controlled operations are not held directly but are held through subsidiary undertakings.

All joint venture undertakings and jointly controlled operations have financial periods ending on 31 December, with the exceptions of: Amey Roads NI Holdings Limited, Amey Roads NI Limited, Amey Roads NI Financial Limited, Keolis Amey Metrolink Limited, Keolis Amey Wales Cymru Limited, Keolis Amey Operations/Gweithrediadau Keolis Amey Limited, Scot Roads Partnership Holdings Limited, Scot Roads Partnership Project Limited, Scot Roads Partnership Finance Limited (all 31 March); Amey FMP Belfast Strategic Partnership Hold Co Limited, Amey FMP Belfast Strategic Partnership SP Co Limited (30 June). Where a joint venture undertaking does not have a coterminous year end, interim financial statements have been prepared.

31 Subsidiary undertakings, joint venture undertakings and jointly controlled operations *(continued)*

Registered offices

The registered office of subsidiary and joint venture undertakings is Chancery Exchange, 10 Furnival Street, London, EC4A 1AB, United Kingdom. The exceptions to this are set out in the table below:

Undertaking	Registered office (United Kingdom, unless otherwise indicated)
AHL Holdings (Manchester) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
AHL Holdings (Wakefield) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
Amey Consulting Australia Pty Limited	Level 26, 181 William Street, Melbourne, VIC 3000, Australia
Amey Consulting USA, Inc.	1130 Post Oak Boulevard, Suite 1250, Houston, Texas 77056
Amey Highways Lighting (Manchester) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
Amey Highways Lighting (Wakefield) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
Seilwaith Amey Cymru/Amey Infrastructure Wales Limited (formerly Amey Keolis Infrastructure/Seilwaith Amey Keolis Limited)	Cvl Infrastructure Depot Ty Trafnidiaeth, Treforest Industrial Estate, Gwent Road, Pontypridd, CF37 5UT
Amey Infrastructure Management (1) Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Amey Roads NI Limited	Murray House, Murray Street, Belfast, BT1 6DN
Amey Roads NI Holdings Limited	Murray House, Murray Street, Belfast, BT1 6DN
Amey Roads NI Financial plc	Murray House, Murray Street, Belfast, BT1 6DN
Amey-Webber LLC	1209 Orange Street, Wilmington 19801, Delaware, USA
Byzak Contractors (Scotland) Limited	International House, Stanley Boulevard, Hamilton Intnl Technology Park, Blantyre, Glasgow, G72 0BN
C.F.M. Building Services Limited	Southside House, 135 Fifty Pitches Road, Carnold Business Park, Glasgow, G51 4EB
Enterprise Utility Services (DCE) Limited	Trafford House, Chester Road, Old Trafford, Manchester, M32 0RS
Enterprise Utility Services (TBC) Limited	Trafford House, Chester Road, Old Trafford, Manchester, M32 0RS
Fleet and Plant Hire Limited	The Matchworks Pavilions 3 and 4, Garston, Liverpool, L19 2PH
Keolis Amey Docklands Limited	Evergreen Building North, 160 Euston Road, London, NW1 2DX
Keolis Amey Operations/Gweithrediadau Keolis Amey Limited	2 Callaghan Square, Cardiff, CF10 5BT
Keolis Amey Metrolink Limited	Evergreen Building North, 160 Euston Road, London, NW1 2DX
Keolis Amey Wales Cymru Limited	2 Callaghan Square, Cardiff, CF10 5BT
RSP (Holdings) Limited	Precision House, McNeil Drive, Motherwell, ML1 4UR
Scot Roads Partnership Finance Limited	1e, Willow House, Kestrel View, Strathclyde Business Park, Bellshill, ML4 3PB
Scot Roads Partnership Holdings Limited	1e, Willow House, Kestrel View, Strathclyde Business Park, Bellshill, ML4 3PB
Scot Roads Partnership Project Limited	1e, Willow House, Kestrel View, Strathclyde Business Park, Bellshill, ML4 3PB
Services Support (Avon & Somerset) Limited	Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ
Services Support (Avon & Somerset) Holdings Limited	Third Floor, Broad Quay House, Prince Street, Bristol, BS1 4DJ
The Renfrewshire Schools Partnership Limited	Precision House, McNeil Drive, Motherwell, ML1 4UR

32 Financial and capital commitments

Lease commitments – lessee

The minimum cash amounts payable over the life of remaining lease period by year of cash outflow are as follows:

	Land and buildings 2020 £'000	Other 2020 £'000	Land and buildings 2019 £'000	Other 2019 £'000
Within 1 year	**1**	**1,895**	65	2,342
In 2 to 5 years inclusive	**-**	**1,472**	1	1,023
	1	**3,367**	66	3,365

Lease commitments relate to many small agreements throughout the Group, none of which are deemed significant enough for separate disclosure. The commitment above relates to short-term and low value rentals only that are not accounted for as finance leases in accordance with IFRS 16.

Other financial commitments

At 31 December 2020, the Group was committed to contributing subordinated loan capital of £16.6 million (2019: £19.0 million) to joint venture undertakings. This commitment was cancelled on 7 February 2021 as part of a restructure of the Wales and Border rail contracts held by joint venture undertakings.

33 Contingent liabilities

As part of its activities, the Group is subject to contingent liabilities arising from the performance of certain contracts. At 31 December 2020, the Group has provided bank collateral totalling £91 million (2019: £99 million).In some cases, liabilities not covered by bank guarantees are covered by guarantees granted by fellow Group members, though these do not impact the overall Group. Guarantees have also been provided to joint venture undertakings totalling £271 million (2019: £314 million), of which the most relevant are those provided to the UK Ministry of Justice for both current and future service provision. A portion of the risk associated with guarantees has been mitigated through third party liability or construction defect insurance policies. The Directors consider the likelihood of a claim arising under these performance bonds, indemnities or guarantees to be remote.

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

Under the terms of the Birmingham City Council Highways PFI contract settlement arrangements, the Group has provided guarantees in respect of the payment of the settlement accounts with £45 million remaining to be paid at 31 December 2020. The full amount of deferred consideration can be accelerated upon the occurrence of either a change of control or flotation of the Group; the sale of all or substantially all of the assets of the Group; abandonment by the Group of the original services agreement; material breach of certain business continuity covenants where such breach has a material adverse effect on the services provided by the Group; non-payment of amounts due under the settlement agreement; breach of payment security provisions in the settlement agreement; commencement of an insolvency process in relation to Amey companies party to the agreement; or acceleration of repayment of the Group's corporate banking facilities. Until the full amount of the deferred consideration is paid, subject to certain exceptions, there are restrictions on the disposal of assets which Amey UK plc and the Amey Group can make. Upon certain material disposals, Amey LG Limited is required to pay a proportion towards any payment of any deferred consideration.

The Group claims tax relief in Spain for the amortisation of goodwill arising on the acquisition of UK subsidiaries, as permitted under Spanish law. This law was subject to a challenge by the European Commission on competition grounds in respect of acquisitions after December 2007 (not affecting the Group's goodwill), with their first and second decisions issued in October 2009 and January 2011. In October 2014, the EU Commission issued a new Decision (the third Decision) challenging the amortisation of goodwill that arises from indirect acquisitions, also on competition grounds, affecting any time acquisitions. The Kingdom of Spain, Ferrovial, S.A., Ferrovial Servicios, S.A. and the Group (and other Spanish groups) have brought an appeal in 2017 against the third Commission decision before the EU General Court of Justice that is still pending. In November 2014, the EU General Court of Justice held in favour of Spain on the first and second decisions (the third decision was not part of this appeal, but subject to a separate stayed appeal). In December 2018, following an appeal by the European Commission on a limited point of law, the November 2014 ruling was annulled by the superior EC Court of Justice and the case referred back to the EU General Court, with most of the technical points still subject to judgment. The Spanish tax authorities, in the course of an audit related to year 2006, challenged this amortisation. The disputed claim has been referred to the EU General Court of Justice where the Group remains confident that the claim will be upheld. However, as a result of the December 2017 EU Court of Justice ruling, the Spanish tax authorities requested in 2017 the payment of €28.0 million plus €8.0 million of interest related to the tax amortisation for the years 2006 to 2015. In November 2019 the Spanish tax authorities also initiated the recovery procedure for the financial years 2016 to 2018 and, at present, there is a tax proposal to recover a net amount of €6.4 million. Any payment made will be refunded plus interest should the European Courts rule in the Group's favour. The total value of the net tax relief claimed up to 31 December 2020 is £89.4 million (2019: £83.0 million). The Directors have assessed the likelihood of the tax audit leading to any adjustment as low.

The Group has received £22.2 million (2019: £21.8 million) of invoices from a supplier for additional amounts claimed under a revised interpretation of a contractual clause. The Group has taken legal advice which has confirmed that it is not probable such a claim can be made but notes the amount represents a contingent liability.

Notes forming part of the Group financial statements
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34 Related party transactions

Joint venture undertakings

Certain Group subsidiary undertakings hold contracts to design, build and in certain instances maintain and supply other services in relation to PFI projects for the joint ventures. The Group also receives interest income on loans to joint ventures. The Group had the following trading balances with joint ventures at 31 December 2020:

	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
		Revenue	**Interest receivable on loans with joint ventures**	
ALC (FMC) Limited	**720**	714	**34**	-
Amey FMP Belfast Strategic Partnership Hold Co Limited	**-**	-	**-**	30
Amey FMP Belfast Strategic Partnership SP Co Limited	**68**	68	**-**	-
Amey Hallam Highways Limited	**44,829**	45,048	**-**	-
Amey Ventures Investments Limited	**27,178**	36,987	**149**	167
Amey Infrastructure Management (1) Limited	**-**	-	**323**	133
Amey Infrastructure Management (2) Limited	**257**	38	**250**	246
Amey Infrastructure Management (3) Limited	**257**	38	**207**	205
AmeyCespa (AWRP) SPV Limited	**9,393**	12,412	**-**	-
AmeyCespa (MK) SPV Limited	**(1,747)**	(729)	**589**	581
Birmingham Highways Limited (formerly Amey Birmingham Highways Limited)		585	**-**	-
EduAction (Waltham Forest) Limited	**-**	14	**-**	-
GEO Amey PECS Limited	**14**	16	**-**	-
Integrated Bradford SPV Two Limited	**5,351**	4,544	**-**	-
Integrated Bradford LEP Limited	**225**	220	**-**	-
	86,545	99,995	**1,552**	1,362

	Loan amounts outstanding with joint ventures		**Net trading balance owed to (by) the Group**	
Amey FMP Belfast Strategic Partnership Hold Co Limited	**100**	100	**-**	-
Amey FMP Belfast Strategic Partnership SP Co Limited	**-**	-	**202**	168
Amey Hallam Highways Limited	**-**	-	**27**	27
Amey Infrastructure Management (1) Limited	**1,540**	1,540	**24**	46
Amey Infrastructure Management (2) Limited	**3,354**	3,354	**168**	53
Amey Infrastructure Management (3) Limited	**3,068**	3,068	**75**	50
Amey Ventures Investments Limited	**1,314**	1,341	**3,223**	3,996
AmeyBreathe Limited	**600**	-	**-**	-
AmeyCespa (AWRP) SPV Limited	**-**	-	**-**	(2)
AmeyCespa (MK) SPV Holding Co Limited	**4,465**	4,465	**-**	-
EduAction (Waltham Forest) Limited	**-**	-	**(2)**	4
GEO Amey PECS Limited	**-**	-	**20**	7
Integrated Bradford LEP Limited	**-**	-	**15**	15
Integrated Bradford SPV Two Limited	**-**	-	**(24)**	342
Keolis Amey Docklands Limited	**-**	-	**735**	1,066
Keolis Amey Metrolink Limited	**-**	-	**26**	117
Keolis Amey Operations/Gweithrediadau Keolis Amey Limited	**17,788**	10,670	**857**	921
Keolis Amey Wales Cymru Limited	**-**	-	**2,718**	310
	32,229	24,538	**8,064**	7,120
Less: provision for impairment	**(22,281)**	(60)	**(20)**	(22)
	9,948	24,478	**8,044**	7,098

The amounts reported above include loan amounts outstanding with joint ventures and net trading balances owed to (by) the Group which are classed as assets held for sale on the Group balance sheet.

34 Related party transactions *(continued)*

Ferrovial, S.A. and its subsidiary undertakings

	2020 £'000	2019 £'000
Income statement		
Net operating expenses	**(14,164)**	(24,293)
Net finance income	**110**	159
Net finance cost – Landmille Limited	**(345)**	(12,477)
Net finance cost – Ferrofin, SL	**(1,950)**	(1,134)
Net finance cost – Ferrovial Servicios, S.A.	**1,246**	(1,143)
Net finance cost – Other Ferrovial, S.A. companies	**(1,218)**	(1,296)
	(16,321)	(40,184)
Balance sheet (including amounts classed as assets (liabilities) held for sale)		
Assets		
Non-current assets	**25,773**	18,900
Current assets	**12,526**	21,639
Liabilities		
Current liabilities – Ferrovial, S.A. group loans held within assets held for sale	**-**	(31,372)
Current liabilities – Ferrovial, S.A. group loans	**-**	(253,661)
Current liabilities – other	**(33,875)**	(35,677)
Net liabilities	**4,424**	(280,171)

The Group has been charged operating expenses by Ferrovial Servicios, S.A. The Group has also been charged finance costs by Landmille Limited, Ferrofin, SL and Cespa UK Limited. Additionally, the Group received £5.9 million (2019: £5.1 million) from Ferrovial Servicios, S.A. in respect of tax losses. In 2020, the Group recorded a foreign exchange gain of £1.2 million (2019: £1.1 million loss) on its deposits with, Ferrovial, S.A. subsidiary undertakings.

Non-current assets represent deposits with Ferrovial Servicios, S.A., which receive interest at a market rate of 0.02% (2019: 0.02%). Current assets include the remaining part of the loan to Cespa Ventures Limited which receives interest at a fixed rate of 12.5% (2019: 12.5%).

On 26 February 2020, £169.0 million of the Group's subordinated loans from Landmille Limited and held by a subsidiary undertaking, Amey plc, were converted into a third Other equity instrument with Landmille Limited (through a further subordinated hybrid loan) (see note 26).

On 31 December 2020, the Group's existing £60.0 million subordinated hybrid loan held by Amey UK plc from Ferrofin SL was converted and consolidated with a further issue of subordinated hybrid loans of £103.1 million into a restated subordinated hybrid loan from Ferrofin SL. The proceeds from the further issue were used to repay a subordinated loan from Ferrofin SL of £78.1 million and to extinguish £25.0 million of other liabilities due to the Ferrovial group. This restated loan of £163.1 million is classed as Other equity instrument and is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points which rises to 12-month LIBOR plus 500 basis points if Group Profits Before Interest, Tax, Depreciation and Amortisation ('EBITDA') is above a set threshold (see note 26).

Also, on 31 December 2020, the Group's remaining subordinated loan from Landmille Limited (held by Amey plc) of £8.8 million was converted and consolidated with the existing £200.0 million and £169.0 million subordinated hybrid loans from Landmille Limited. The resulting restated subordinated hybrid loan of £377.8 million was also assigned from Landmille Limited to Ferrofin SL. This restated loan million is classed as Other equity instrument and is a perpetual loan that is initially interest free but bears interest at 12-month LIBOR plus 700 basis points if Group Profits Before Interest, Tax, Depreciation and Amortisation ('EBITDA') is above a set threshold (see note 26).

The previous loan facility with Landmille Limited bore interest at 1-month LIBOR plus between 372 and 472 basis points dependent on the drawn amount. The loan from Ferrofin, SL bore interest at 1-month LIBOR plus 227 points. Both of these loans were subordinated in favour of any amounts due to the Group's banks under the five five-year bilateral facility agreements in place and which have recourse to the Group's balance sheet.

The Group also has other Ferrovial, S.A. group loans of £32.6 million (2019: £31.4 million) due to Cespa UK Limited which is designated in sterling and bears interest at market rate (2019: market rate) and which was due to be repaid in February 2021. Since 31 December 2020, the date of repayment has been extended to 31 December 2025**.** This loan was included within current liabilities held for sale in 2019 but was reclassed as a current liability in 2020 following the change in perimeter of assets held for sale during the current year.

Ferrovial Servicios, S.A., Landmille Limited, Cespa Ventures Limited, Ferrofin, SL and Cespa UK Limited are all subsidiary undertakings of Ferrovial, S.A., the Group's ultimate parent undertaking.

35 Share-based payments

The Group participates in the Ferrovial, S.A. group (the parent undertaking) performance–based share award plan. Full details on this plan may be found in the financial statements of Ferrovial, S.A. for the year ended 31 December 2020.

The share-based staff costs recharged by Ferrovial, S.A. in relation to this plan during the year and recognised in the Group's income statement amounted to £0.2 million (2019: £0.4 million).

36 Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Ferrovial, S.A., a company incorporated in Spain. The Group is wholly owned by the ultimate parent undertaking. Copies of the group financial statements of Ferrovial, S.A. can be obtained from the registered office address below or from the Ferrovial, S.A. website: www.ferrovial.com.

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

Company balance sheet as at 31 December 2020

Company number 04736639	Note	2020 £'000	2019 £'000
Fixed assets			
Investment in subsidiary undertakings	40	**48,528**	48,528
Current assets			
Trade and other receivables			
- due after more than one year	41	**158,685**	181,950
- due within one year	41	**4,589**	5,642
Cash and cash equivalents		**2,824**	3,388
Total current assets		**166,098**	190,980
Creditors – amounts falling due within one year	42	**(1,113)**	(76,708)
Net current assets		**164,985**	114,272
Total assets less current liabilities		**213,513**	162,800
Creditors – amounts falling due after more than one year	43	**-**	(64,000)
Provisions for liabilities	44	**(12,376)**	(8,693)
Net assets		**201,137**	90,107
Equity			
Share capital	45	**203,677**	203,677
Share premium account		**153,134**	153,134
Other reserve		**61,887**	61,887
Other equity instrument	46	**167,996**	63,032
Retained deficit		**(385,557)**	(391,623)
Equity shareholders' funds		**201,137**	90,107

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own Income Statement or Statement of Comprehensive Income. The Company reported a profit for the year of £7.9 million (2019: £0.3 million loss).

The notes on pages 106 to 111 form part of these Company financial statements. The financial statements on pages 102 to 109 were approved and authorised for issue by the Board of Directors on 28 May 2021 and signed on its behalf by:

A L Nelson
Director
28 May 2021

Company statement of changes in equity for the year ended 31 December 2020

	Share capital £'000	Share premium account £'000	Other reserve £'000	Other equity instrument £'000	Retained earnings (deficit) £'000	Total equity £'000
At 1 January 2019	203,677	153,134	61,887	61,198	(389,448)	90,448
Reserves transfer in respect of Other equity instrument	-	-	-	1,834	(1,834)	-
Loss after tax for the year	-	-	-	-	(341)	(341)
At 31 December 2019	**203,677**	**153,134**	**61,887**	**63,032**	**(391,623)**	**90,107**
Issue of Other equity instrument (see note 46)	**-**	**-**	**-**	**103,084**	**-**	**103,084**
Reserves transfer in respect of Other equity instrument	**-**	**-**	**-**	**1,880**	**(1,880)**	**-**
Profit after tax for the year	**-**	**-**	**-**	**-**	**7,946**	**7,946**
At 31 December 2020	**203,677**	**153,134**	**61,887**	**167,996**	**(385,557)**	**201,137**

The Other reserve relates to a capital contribution made by Ferrovial Servicios, S.A., a fellow group undertaking, in 2003.

The notes on pages 106 to 111 form part of these Company financial statements.

Notes forming part of the Company financial statements for the year ended 31 December 2020

37 General information

The principal activity of the Amey UK plc (the Company) is that of holding company. The Company is a plc, limited by share capital and is incorporated in the United Kingdom (registered in England and Wales), but domiciled in Spain. The Company is privately owned.

The Company Secretary and the address of the registered office is as follows: Jayne Bowie, Chancery Exchange, 10 Furnival Street, London, EC4A 1AB. The address of the principal place of business is Principe de Vergara 135, 28002 Madrid, Spain.

38 Accounting policies

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with FRS 101, the historical cost convention and in conformity with the requirements of the Companies Act 2006.

(b) Going concern

The financial statements of the Company have been prepared on a going concern basis, further details of which are detailed in note 1(d) of the Group financial statements.

(c) New accounting standards

Details of new accounting standards applicable to the Company both for the current and future financial years are detailed in note 1(e) of the Group financial statements. The adoption of these new accounting standards does not have any impact on the Company.

(d) FRS 101 exemptions applied

The following exemptions from the requirements of International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 (Financial instruments: Disclosures)
- Paragraphs 91 to 99 of IFRS 13 (Fair value measurement): disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
- Paragraph 38 of IAS 1 (Presentation of financial statements): comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1
- The following paragraphs of IAS 1:
  - 10(d): statement of cash flows
  - 10(f): a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements
  - 16: statement of compliance with all IFRS
  - 38A: requirement for minimum of two primary statements, including cash flow statements
  - 38B-D: additional comparative information
  - 40A-D: requirements for a third statement of financial position
  - 111: cash flow information
  - 134-136: capital management disclosures
- IAS 7 (Statement of cash flows)
- Paragraph 30 and 31 of IAS 8 (Accounting policies, changes in accounting estimates and errors): requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
- The requirements of IAS 24 (Related Party Disclosures): disclosure of related party transactions entered into between two or more members of a group.
- IFRS 2 (Share based payments)
- IAS 36 (Impairment of assets): paragraphs 134 and 135
- IFRS 15 (Revenue from contracts with customers): second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129.
- IFRS 16 (Leases): paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93. Paragraph 58, provided that the disclosure of details of indebtedness required by paragraph 61(c) of Schedule 1 of the Regulations is presented separately for lease liabilities and other liabilities in total.

38 Accounting policies *(continued)*

(e) Other principal accounting policies

The significant accounting policies applied in preparing the Company financial statements, which have been applied consistently, are set out below:

Investment in subsidiary undertakings

Investments by the Company in the shares of subsidiary undertakings are stated at cost less any provision where, in the opinion of the Directors, there has been a permanent impairment in the value of any such investment.

Deferred tax

Deferred tax is recognised on all temporary differences where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. However, the deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred tax assets are recognised when it is more likely than not that they will be recovered in the foreseeable future. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currency

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which it operates (its ‘functional currency’) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the profit and loss account.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company’s existing accounting policies. In preparing the financial statements for the financial year, the Directors have considered these requirements, and concluded that no such estimates or judgements have been necessary other than using estimates (which inherently involves the use of management judgement) in respect of the carrying value of the investment in subsidiary undertaking (see note 40 for further information) and the judgement made in recognition for accounting purposes of the subordinated guaranteed hybrid loan as an Other equity instrument (see note 46).

39 Directors and employees

Details of the remuneration of the Company’s Directors and of the highest paid Director are outlined in note 7 of the Group’s financial statements. The Directors are not remunerated by the Company. The Company had a monthly average number of employees of two (2019: two) at a total staff cost of £144,000 (2019: £139,000).

40 Investment in subsidiary undertakings

	Cost of shares £’000	Subordinated loan £’000	Provision for impairment £’000	Carrying value £’000
At 1 January 2019, at 31 December 2019 and at 31 December 2020	**497,867**	**60,000**	**(509,339)**	**48,528**

On 30 April 2018, the Company granted a subordinated loan facility to its subsidiary undertaking, Amey Holdings Limited, for an amount of £60.0 million. It is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points which rises to 12-month LIBOR plus 500 basis points if Group Profits Before Interest, Tax, Depreciation and Amortisation (‘EBITDA’) is above a set threshold. The loan has no specified maturity date but can be redeemed by the Amey Holdings Limited at any time. That company also has the power to delay timing of the interest payment at its sole discretion which cannot be claimed by the lender.

The subsidiary undertakings of the Company are disclosed in note 31 of the Group financial statements. Except for Amey Holdings Limited, all subsidiary undertakings are held through other subsidiary undertakings. Their activities are described in the Report of the Directors and in the Strategic Report.

40 Investment in subsidiary undertakings *(continued)*

The recoverable amounts of investments are based on value-in-use which reflects forecast cash flows as derived from approved budgets and plans for the next five years. The future cash flows are based on the completed Budget 2021 and the 2022-2025 Strategic Plan. Residual values have also been included which are based on the normalised activity cash flow plus a growth factor. The growth rate used has been 1.75% (2019: 1.75%). The underlying assumptions of these cash flows are based on the existing contract order book, management's past experience and on probability ratios for new business generation. The cash flows have been discounted using a risk-based discount rate of 9.76% (2019: 10.5%). This pre-tax discount rate is a measure based on the 10-year UK bond rate adjusted for a risk premium to reflect both the increased risk of investments generally in the sector and the systematic risk of the specific CGUs.

The dynamics of the Support Services sector has remained in line with the previous year, with a similar uncertainty and instability in the markets in which the Group operates. As a result of this, management decided to maintain the same assumptions as used in the previous year.

The Company has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the specific investments. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amounts of investments is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the investment.

41 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Tax debtor	**4,589**	5,642
	4,589	5,642
Amounts falling due after more than one year		
Amounts due from subsidiary undertakings	**132,912**	163,050
Amounts due from Ferrovial Servicios, S.A.	**25,773**	18,900
	158,685	181,950
	163,274	187,592

42 Creditors – amounts falling due within one year

	2020 £'000	2019 £'000
Amounts due to Ferrofin, SL	**-**	76,134
Other creditors	**14**	9
Accruals	**1,099**	565
	1,113	76,708

The amount due to Ferrofin SL represented a loan bearing interest at 1-month LIBOR plus 227 points which could be rolled up into the principal and was due to be repaid by 31 July 2021. This loan was fully subordinated in favour of any amounts due to the Company's banks under the five five-year bilateral facility agreements in place and which have recourse to the Group's balance sheet.

On 31 December 2020, the Company's existing £60.0 million subordinated hybrid loan from Ferrofin SL was converted and consolidated with a further issue of subordinated hybrid loans of £103.1 million into a restated subordinated hybrid loan from Ferrofin SL. The proceeds from the further issue were used to repay the subordinated loan from Ferrofin SL of £78.1 million (including accrued interest) and to extinguish £25.0 million of other Amey Group liabilities due to the Ferrovial group. This restated subordinated hybrid loan of £163.1 million is classed as Other equity instrument and is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points which rises to 12-month LIBOR plus 500 basis points if Group Profits Before Interest, Tax, Depreciation and Amortisation ('EBITDA') is above a set threshold.

Ferrofin, SL is a member of the Ferrovial, S.A. group of companies.

43 Creditors – amounts falling due after more one year

	2020 £'000	2019 £'000
Bank loans with recourse		
– due within 1 to 2 years	**-**	32,000
– due within 2 to 5 years	**-**	32,000
	-	64,000

At 31 December 2020, the Company has drawn down floating rate bank loans under its bilateral facility agreements with recourse to the balance sheet of £nil (2019: £64.0 million).

At 31 December 2020, the Company has £160.0 million (2019: £96.0 million) of undrawn loans under floating rate bilateral facility agreements of £32.0 million each with five banks. Of these facilities, £32.0 million is due to expire in July 2021 and £138.0 million is due to expire in July 2022. These facilities are secured on the assets of the Group and hence have recourse to the Group balance sheet.

Since 31 December 2020, the Company has entered into four further agreements with lenders under floating rate bilateral facility agreements for additional funding of £40.0 million with recourse to the Group balance sheet. These new facilities are due to expire in July 2022.

44 Provisions for liabilities

Deferred tax	**2020 £'000**	2019 £'000
At 1 January	**8,693**	-
Deferred tax charged (credited) to the income statement	**3,683**	8,693
At 31 December	**12,376**	8,693

The deferred tax liability arises in respect of accelerated tax relief on goodwill of £12.4 million (2019: £8.7 million). Deferred tax has been measured in full using the liability method using an expected tax rate of 25% (2019: 25%), being the rate substantively enacted in Spain at the balance sheet date. The tax relief received does not have an expiry date.

45 Share capital

Ordinary shares of £1 each	**Number**	**£'000**
Authorised		
At 1 January 2019, 31 December 2019 and at 31 December 2020	**204,000,000**	**204,000**
Issued, allotted, called up and fully paid		
At 1 January 2019, 31 December 2019 and at 31 December 2020	**203,676,768**	**203,677**

46 Other equity instruments

	£'000
At 1 January 2019	61,198
Accrued dividend for the year	1,834
At 31 December 2019	**63,032**
Issue of Other equity instrument	**103,084**
Accrued dividend for the year	**1,880**
At 31 December 2020	**167,996**

46 Other equity instruments (continued)

On 30 April 2018, Ferrofin SL (a Ferrovial, S.A. group company), issued an Other equity instrument to the Company (through a subordinated hybrid loan facility) for cash of £60.0 million.

On 31 December 2020, the Company's existing £60.0 million subordinated hybrid loan from Ferrofin SL was converted and consolidated with a further issue of subordinated hybrid loans of £103.1 million into a restated subordinated hybrid loan from Ferrofin SL. The proceeds from the further issue were used to repay the subordinated loan from Ferrofin SL of £78.1 million (including accrued interest) and to extinguish £25.0 million of other Amey Group liabilities due to the Ferrovial group. This restated subordinated hybrid loan of £163.1 million is classed as Other equity instrument and is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points which rises to 12-month LIBOR plus 500 basis points if Group Profits Before Interest, Tax, Depreciation and Amortisation ('EBITDA') is above a set threshold.

The hybrid loan in issue at 31 December 2020, and all previous hybrid loans, has no specified maturity date but can be redeemed by the Company at any time. The Company also has the power to delay timing of the interest payment at its sole discretion which cannot be claimed by the lender.

As it is at the Company's discretion to decide both the repayment of the principal and the possibility of deferring the payment of interest, the loan does not satisfy the condition to be accounted for as a financial liability since is does not include a contractual obligation to pay cash or other financial assets to discharge the liability. Accordingly, it is classified as equity instrument and is recognised as 'Other equity instruments'. The accrued interest is recognised in reserves and treated in the same way as dividends. The total interest accrued on all subordinated hybrid loans at 31 December 2020 was £4.9 million (2019: £3.0 million).

47 Financial and capital commitments

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

48 Contingent liabilities

At 31 December 2020, the Company has provided bank collateral totalling £19 million (2019: £19 million).The Company has provided guarantees to joint venture undertakings totalling £271 million (2019: £314 million), of which the most relevant are those provided to the UK Ministry of Justice for both current and future service provision. A portion of the risk associated with guarantees has been mitigated through third party liability or construction defect insurance policies. The Directors consider the likelihood of a claim arising under these performance bonds or borrowings to be remote.

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

Under the terms of the Birmingham City Council Highways PFI contract settlement arrangements, the Company is party to Group guarantees in respect of the payment of the settlement accounts with £45 million remaining to be paid at 31 December 2020. The full amount of deferred consideration can be accelerated upon the occurrence of either a change of control or flotation of the Group; the sale of all or substantially all of the assets of the Group; abandonment by the Group of the original services agreement; material breach of certain business continuity covenants where such breach has a material adverse effect on the services provided by the Group; non-payment of amounts due under the settlement agreement; breach of payment security provisions in the settlement agreement; commencement of an insolvency process in relation to Amey companies party to the agreement; or acceleration of repayment of the Group's corporate banking facilities. Until the full amount of the deferred consideration is paid, subject to certain exceptions, there are restrictions on the disposal of assets which Amey UK plc and the Amey Group can make. Upon certain material disposals, Amey LG Limited is required to pay a proportion towards any payment of any deferred consideration.

The Company claims tax relief in Spain for the amortisation of goodwill arising on the acquisition of UK subsidiaries, as permitted under Spanish law. This law was subject to a challenge by the European Commission on competition grounds in respect of acquisitions after December 2007 (not affecting the Company's goodwill), with their first and second decisions issued in October 2009 and January 2011. In October 2014, the EU Commission issued a new Decision (the third Decision) challenging the amortisation of goodwill that arises from indirect acquisitions, also on competition grounds, affecting any time acquisitions. The Kingdom of Spain, Ferrovial, S.A., Ferrovial Servicios, S.A. and the Company (and other Spanish groups) have brought an appeal in 2017 against the third Commission decision before the EU General Court of Justice that is still pending. In November 2014, the EU General Court of Justice held in favour of Spain on the first and second decisions (the third decision was not part of this appeal, but subject to a separate stayed appeal). In December 2018, following an appeal by the European Commission on a limited point of law, the November 2014 ruling was annulled by the superior EC Court of Justice and the case referred back to the EU General Court, with most of the technical points still subject to judgement. The Spanish tax authorities, in the course of an audit related to year 2006, challenged this amortisation. The disputed claim has been referred to the EU General Court of Justice where the Company remains confident that the claim will be upheld. However, as a result of the December 2017 EU Court of Justice ruling, the Spanish tax authorities requested in 2018 the payment of €28.0 million plus €8.0 million of interest related to the tax amortisation for the years 2006 to 2015. In November 2019 the Spanish tax authorities also initiated the recovery procedure for the financial years 2016 to 2018 and, at present, there is a tax proposal to recover a net amount of €6.4 million. Any payment made will be refunded plus interest should the European Courts rule in the Company's favour. The total value of the net tax relief claimed up to 31 December 2020 is £89.4 million (2019: £83.0 million). The Directors have assessed the likelihood of the tax audit leading to any adjustment as low.

Notes forming part of the Company financial statements Annual Report and Financial Statements 2020

49 Controlling parties

The immediate parent undertaking is Ferrovial Services Netherlands B.V.i.o., a company incorporated in The Netherlands. The ultimate parent undertaking and the largest group to consolidate these financial statements is Ferrovial, S.A., a company incorporated in Spain. The Company is wholly owned by both the immediate and ultimate parent undertaking. Copies of the Ferrovial, S.A. consolidated financial statements can be obtained from the registered office address below or from the Ferrovial, S.A. website: www.ferrovial.com:

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

The Company is the ultimate holding company in the UK and is registered in England and Wales. It is the parent of the smallest group for which consolidated financial statements are prepared and of which the Company is a member. Copies of the consolidated financial statements can be obtained from the registered office of Amey UK plc at the address below:

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


amey
amey

Notes

Personal pride in our public services

Amey is one of the top five support services suppliers in the UK. We employ 16,000 people, have a turnover of £2.1bn and a strong forward order-book.

Every household in Britain benefits from the work we do; we maintain the UK's national and regional rail and road infrastructure, manage defence housing for service families, keep schools secure, safe and clean as well as collect and process waste and manage utilities services. And all of this is underpinned by our leading consulting capabilities who use engineering design and data analytics to better manage the services we all use and rely on.

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