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Amey UK plc

Annual Report and Financial Statements

2021

Personal pride in our public service

EMPOWER | ENGAGE | EXCEL

Contents

About Amey

Amey is a leading infrastructure services and engineering company.

We are at the heart of modern Britain, helping the economy to grow by designing, maintaining and transforming the nation's strategic assets. Our 14,000 people are behind the critical services the country relies on every day.

Our unique engineering and operations experience, together with data-driven insight from our consulting business, delivers better results for our clients. We are trusted partners of Government – both national and local – managing assets and complex projects that are vital to the sustainable growth of the country.

We are proud of the role we play in the delivery of public services across the UK, including rail and road maintenance, secure facilities management, utilities maintenance and household waste management.

We are also proud of our role as a major employer and partner in areas of the UK that are central to the government's levelling up agenda, including the Midlands, North of England, Wales and Scotland.

Our presence in these regions is helping to connect communities and supporting their recovery from the pandemic; it also makes us well placed to support their ongoing regeneration.

Company Information

Directors

I Tyler, Chairman
A Fisher
A Nelson
E Fernandez Rodriguez
A Veramendi
G Nieto Mier

Company Secretary and Registered UK office

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Company registration number

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Company address

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Bankers

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Auditor

Deloitte LLP, Statutory Auditor, 2 New Street Square, London, EC4A 3BZ, United Kingdom

Website

www.amey.co.uk

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

Our Purpose

We take personal pride in our public service

Strategic Report

Chief Executive Officer's Foreword

2021 was a year when we consolidated the new business structure, positioned the business for growth, and reassessed our people and flexible working policies to enable a Freedom to Perform culture to flourish.

Today the reshaped business is leaner and more focused around our key markets. We have embedded our position as a leader in the UK infrastructure services sector and as a Top 4 supplier in each of our markets. Sustainability is at the top of our agenda and we have further developed our social impact approach to support the communities in which we work. Last year we announced our intention to further empower our employees and I am particularly proud that Investors in People have now awarded Amey double gold status for our approach to well-being and investment in our people (March 2022).

Throughout 2021 our employees displayed amazing resilience and dedication in the midst of the Covid pandemic. They consistently went above and beyond to deliver the critical frontline services that maintain the national infrastructure of the UK, displaying Personal Pride in our Public Service throughout.

From the start of the year, volumes of work were higher than expected as we were awarded additional work through existing contracts, demonstrating strong ongoing customer confidence in Amey's delivery capabilities. The business is in a healthy stable state, with improving margins in all Business Units (BUs) having a strong impact on earnings and cash flow. Revenue for the core business was £2.3 billion (2020: £2.1 billion). Operating profit before exceptional items on continuing operations was £83.1 million (2020: £14.2 million) with central overheads broadly in line with expectations. Profit before tax and exceptional items on continuing operations was £78.9 million (2020: £9.0 million).

Our Consulting business continued to go from strength to strength with its strong record of winning work. 83% of new business worth £152 million has been secured. Among the highlights was being appointed design partner for two regions of National Highways' £76 million Scheme Delivery Framework.

Transport Infrastructure consolidated and strengthened its senior team and achieved significant contract extensions, notably with Kent County Council worth £50 million per annum, and has also won a number of substantial new

"Today the reshaped business is leaner and more focused around our key markets. We have embedded our position as a leader in the UK infrastructure services sector and as a Top 4 supplier in each of our markets."

contracts, including with East Renfrewshire Street Lighting, CEFA, and the Transport for Greater Manchester Metrolink upgrade.

Secure Infrastructure delivered exceptional financial performance and saw contract extensions with US Visiting Forces (USVF) and the Ministry of Justice (MoJ). It was awarded two of the Defence Infrastructure Organisation's Future Defence Infrastructure Services (FDIS) housing maintenance contracts, Central and North. These new Next Generation Estates contracts (NGEC), introduced post Carillion, have limits on the number of defence contracts any single contractor can be awarded, but Amey achieved the maximum number it could have won on this framework.

As we set out in last year's report, our intention was to divest non-core businesses. We divested seven of our waste collection contracts by the end of Q1 2021. We will retain our Trafford and Surrey waste collection contracts for the foreseeable future.

Our Utilities business which also met the criteria to be classified as held for sale at the balance sheet date has now been sold on 12 April 2022. This necessitated a further impairment of £28 million following the loss of a Scottish Water framework.

Our shareholder has agreed to acquire our Waste Treatment business and this transfer will take place in 2022. Additionally, our Management Services business was sold to Albany Infrastructure Management in March 2022. Further information on these transactions is detailed in the financial statements.

As stated in last year's accounts a cyber-attack occurred in December 2020. This had an impact on some of our IT systems and the temporary removal of access to most other systems as a precaution. The impact was minimised by our effective business continuity planning and we were able to continue paying employees and suppliers throughout. Early in the attack we self-reported to the Information Commissioners Office who subsequently confirmed no action would be taken as a result of our response.

Having identified the cause of the cyber-attack as a phishing email, various new and enhanced security capabilities were implemented to further enhance our IT security capability and improve resilience. Since the attack we have invested significant sums in strengthening our defences and improving our resilience. We have implemented a comprehensive range of additional cyber protection software, threat intelligence, training and processes aligned to the industry standard NIST framework. We will continue to invest in enhanced cyber security capabilities to minimise ongoing cyber risk when we recognise the need for this.

2021 was our Year of Empowerment and we took significant steps to embed our Freedom to Perform culture. We placed even greater emphasis on the well-being of our employees, we proactively worked to open up opportunities to all and to become a truly diverse and inclusive organisation. We further enhanced our flexible working arrangements, enabling even frontline employees to enjoy the benefit of a Personal Day. To improve accountability we introduced clearer, stronger governance frameworks and strengthened our risk and audit processes.

Since the start of the year we have:

- Launched our Road Map to Net Zero and made good progress on our energy and carbon reduction performance
- Published our Social Mobility Opportunity Action Plan to help some of the most disadvantaged communities we operate in
- Built and deepened our relationships with key clients
- Capitalised on more high-margin opportunities by offering combined consulting and operational services
- Weathered the supply issues, travel disruption and recruitment challenges resulting from Covid and Brexit
- Agreed new payment mechanisms on our Sheffield Highways contract to resolve business legacy issues
- Extended our targeted cost and efficiency programme (TOAST) saving over £4.2 million in the course of FY21
- Improved on our already excellent Health and Safety record.

"Inclusion is at the heart of Amey, and we want our workplace to be an environment where everyone is comfortable to be themselves, where they feel valued and empowered to add value."

Covid and Brexit

We maintained critical infrastructure throughout the pandemic; our employees went above and beyond to support our clients through challenging times. We continued with hybrid working arrangements for office-based employees and continually reviewed the way we work to ensure we complied with Government guidelines and were operating safely throughout the pandemic. Employee shortages due to the combined impact of Covid and Brexit were evident, but we were able to continue to deliver services with minimal disruption.

Culture change

Inclusion is at the heart of Amey, and we want our workplace to be an environment where everyone is comfortable to be themselves, where they feel valued and empowered to add value. Not only will this give us access to the widest pool of talent, but we benefit from a diverse range of views and perspectives. Among the events we championed in 2021 were International Women's Day, National Inclusion Week, Black History Month and Race Equality Week.

Our 100 most senior leaders across Amey have all been coached in multicultural lived experience training via our online course "What is privilege anyway?". Gender diversity in our executive committee has increased and we were one of the first organisations within the sector to offer menopause support. We are prioritising talent over experience to open up opportunities to women and a younger generation. For the first time we published our Ethnicity Pay Gap.

We also started our 'Lead to' series of activities designed to engage and empower our employees by giving them more of a voice at all levels of the organisation and the skills to effectively lead high performing teams.

Working with our suppliers and social value

Amey supports over 4,000 suppliers across the UK, 74% of which are Small and Medium Enterprises (SMEs). In 2021 we spent £1.6 billion with our supply chain and continue to build on our spending with social enterprises, spending £3.9 million with them in 2021. We have now set a target of 5% of addressable spend to go to Voluntary Community and Social Enterprises (VCSE) by the end of 2023. Our relationship with Ethical Stationery CIC (EthStat) in particular has flourished and we used our spending power with them to honour the best of social enterprise with an employee hamper consisting only of VCSE produced products.

Levelling-up has risen to the top of the Government's agenda and we recognise the role Amey can play in helping our clients deliver on these commitments. At Amey we have a track record of working with the communities in which we operate and are committed to opening up opportunity to all. In 2021 we worked with the Social Mobility Pledge to launch our Opportunity Action Plan setting out what we could do to support mobility in some of the country's most disadvantaged areas.

We have built on the Education Hub we launched at the beginning of lockdown to engage and inspire young people. Every one of the individuals we took on as part of the Government backed Kickstart scheme has successfully moved on to the Amey apprenticeship programme or Early Careers roles. Through our contracts with the MoJ we are supporting prison leavers into jobs and through our long-standing relationship with Women in Defence, Soldiers', Sailors' and Airmen Families Association (SSAFA), and other partners we continue to employ and support ex-Forces personnel. We would welcome opportunities to further develop such partnerships.

Community support

I am incredibly proud of the efforts of our employees to give back to the communities in which we operate and the number of Amey employees who used their volunteering day in 2021 to take part in local volunteering opportunities. To encourage this activity, we have extended the entitlement of all employees to two volunteering days a year, in recognition of the positive impact such activities can have on the communities in which we work.

At the start of last year our employees picked Cancer Research UK as our employee chosen charity with the target of achieving £200k in two years. We raised over £130,000 in 2021 and delivered a number of events for employees to raise awareness of cancer.

Environment (ESG)

Our Roadmap to Net Zero was launched during the year. This sets out our long-term corporate commitment to achieve Scope 1 & 2 Net Zero by 2035 and to be a fully net zero organisation (including Scope 3) by 2040. We also committed to science-based targets to provide us with external assurance of our ambition and our approaches to achieve it. We have now signed up to the Institute of Environmental Management & Assessment (IMEA) Pledge to Net Zero, are committed to the Science-Based Targets initiative (SBTi) and are members of the Race to Zero initiative.

Our Consulting team provides expertise in carbon forecasting, footprinting and reduction strategy. We designed the UK's first carbon-neutral road improvement project – an £8 million Highways England carriageway construction in Cumbria. With partner universities we have launched fully funded Environmental Degree Apprenticeship programmes to help bring new talent into the industry. These rising stars will focus on finding innovative solutions to meet our, and our clients', climate challenges in the future.

Looking forward

We have continued to improve efficiency, capability and service delivery, creating improved long-term value for both customers and shareholders. The re-structuring and divestment activity of the past year means Amey is positioned as a key player in its core markets with potential to grow revenue and margin over the coming years.

The positive wins we achieved in 2021 mean our order book sits at almost £8 billion. This is the equivalent to almost four years' committed work and puts us in a strong position for growth. This certainty gives us a strong platform upon which to continue to secure future opportunities.

On 11 October 2022, the Group's ultimate parent undertaking, Ferrovial, S.A., announced that it had reached agreement to sell the Group to One Equity Partners and Buckthorn Partners. The sale of the Group is conditional on the completion of the transfer of the Waste Treatment CGU to Ferrovial, and the approval by the Secretary of State for Business, Energy and Industrial Strategy. It is expected that the sale will be completed prior to 31 December 2022. Any change of ownership is not expected to have any impact on the Group's operations and activities going forward.

Our journey to Net Zero will accelerate as we extend our focus to our supply chain and during 2022, we have been developing a software platform to capture, assign and calculate our emissions from our supply chain more effectively. We have partnered with the University of Plymouth to help us on our carbon reduction journey. One of our priorities for 2022 has been to further engage our workforce on this issue.

Our Freedom to Perform culture is creating an engaged and diverse workforce, empowered to make decisions with simpler processes and rigorous governance and we will continue to work with Investors in People to achieve their highest platinum status. Digital transformation will bring together processes and systems and we will automate where it makes sense to do so.

We are becoming a modern organisation with a progressive people approach. This will make us a more responsive and resilient company that is well positioned to grow our success based on a culture of empowerment, engagement and excellence.

Amanda Fisher
Chief Executive Officer, Amey
31 October 2022

Business Unit Overview

Consulting

Revenue
£143.8m
(2020 £119.9m)

Operating profit
£16.3m
(2020 £14.2m)

Employees
1,850
at the end of 2021

One of the UK's leading engineering consultancies, with a strong industry reputation for asset management and data-led, sustainable infrastructure design.

Overview

Our in-house consultancy is a leading player in the UK's engineering sector. Amey Consulting provides two core services – Consultancy & Design and Advisory & Analytics.

Consultancy & Design specialises in structures and civils design, planning, asset management and optimisation and technology, predominantly in the highways and rail markets. In the highways market, we are a leading end-to-end provider of design and build services, working with clients such as National Highways, Transport Scotland, Department for Infrastructure (NI) and many local authorities. Our rail design business provides a multidisciplinary offering to clients including Network Rail, Transport for Wales and Crossrail. We also provide Consultancy and Design services across the property, environment and aviation sectors.

Our Advisory & Analytics business stream uses data and analytics – including our own, proprietary software systems – to improve the performance of our clients' infrastructure assets. This provides Amey with a unique industry offering, working in collaboration with clients including National Highways, Network Rail, Thames Tideway and Transport for Wales to optimise their asset performance.

We add significant value to our clients by combining our capabilities with the operational expertise of Transport Infrastructure and Secure Infrastructure.

In 2021, we continued our strong record on winning work. Consulting secured new business worth £152 million across 351 opportunities – a win rate of 83%, significantly above the average in our market.

Key facts and financial results

The division's revenues, including share of joint venture revenues, totalled £143.8 million in 2021 (2020: £119.9 million). Operating profits, including share of joint venture profit after tax, were higher at £16.3 million (2020: £14.2 million), before exceptional items. In 2021, the division incurred an exceptional charge following the write off of £5.3 million of accrued income as a result of a settlement agreement on a contract jointly held by Amey and a fellow Ferrovial group company. In 2020, the division recorded an exceptional gain of £2.2 million in respect of the sale of its Australian operations. Operating profits after exceptional items were £11.0 million (2020: £16.3 million).

The division employs circa 1,850 employees.

Key contract wins and renewals in 2021

- National Highways' six-year Scheme Delivery Framework – £76m
- Programme Management Office for Network Rail's Infrastructure Monitoring programme – £2.5m

Key frameworks

- Transport for Greater Manchester's Professional Services Framework
- Transport Scotland's professional services framework (MTRIPS)
- South East Wales Technical and Professional Services Framework (SEWTAPS)

Case study
Optimised Working Windows for National Highways

We created a predictive planning tool that is helping National Highways plan motorway closures better, making motorway maintenance safer for our workforce and the public, and saving our client £68m over five years (estimate from National Highways' independent checkers).

Motorway maintenance has to be delivered during closures, which rely on traffic levels dropping below a set level. Uncertainty about when a motorway can be closed has an impact on efficiency and safety. As National Highways' data science partner, we designed a solution that will bring consistent, efficient planning of closures when it is rolled out nationwide.

We designed a predictive model based on constantly updated traffic data, which will mean fewer closures, planned better. It will mean no more works gangs and plant waiting on the side of the motorway for hours waiting for traffic flows to drop.

As well as the cost and efficiency benefits, the tool will improve safety because people and plant will only be on the motorway when it is actually closed.

"I am delighted to bring Amey Consulting's data science expertise to National Highways. They are developing the service to transform processes for the better across our organisation. By unlocking the power of information, we can fulfil our purpose of connecting the country through better journeys."

Jon Drea
Head of Data Science, National Highways

Financial review

Consulting ended 2021 in a very healthy position with an orderbook increase of 17% to £240 million. We sustained our year-on-year growth by moving towards high-value, multi-disciplinary contracts across rail and highways.

Highlights included: our appointment as design partner for two regions of National Highways' six-year Scheme Delivery Framework; winning a place on Transport for Greater Manchester's Professional Services Framework and winning a contract with Network Rail to provide a Programme Management Office to its Infrastructure Monitoring Programme.

Our strong performance in winning work has been matched by profitability – with an annual margin of 17%. Our £32.6 million gross margin in 2021 contributed about a quarter of Amey's overall profit. This was particularly due to our in-house Advisory & Analytics capability, contributing to a further two-year extension to our contract as National Highways' data science partner.

A pivotal success of 2021 was developing and expanding key products and services. We continued to support Quartz at every Network Rail station, to reduce delays and save Network Rail millions in compensation payments. Quartz is a cloud-based tool that processes every train movement in the UK in near real time to provide live insights to operational station teams. Pearl and Mercury, our world-leading structural health monitoring systems, are being implemented on the Severn Bridges to provide early warning of any potential failure, keeping road users safe and the network running reliably.

To meet the growing demand for sustainable infrastructure solutions, we created three new Advisory & Analytics service lines: Programme Management Office capability, Transport Advisory, and Carbon and Sustainability. We also designed the UK's first carbon-neutral road improvement project for National Highways.

Integrating our capabilities with the operational expertise of Transport Infrastructure and Secure Infrastructure has been an important part of our success. We played a vital role in helping Secure Infrastructure secure their Regional Accommodation Maintenance Services and Transport Infrastructure secure their Scottish Trunk Road Network Management contracts.

2021 was also a significant year in developing our ability to work with private contractors on major design and build programmes. In Scotland, we were awarded a highways design contract to work in partnership with consultant Ramboll, delivering design to construction contractor GRAHAM on the Clyde Waterfront and Renfrew Riverside project.

Future growth

Working with the Transport Infrastructure and Secure Infrastructure business units gives us a deep understanding of assets and operations. Combining this with a deep understanding of client needs has resulted in a strong win rate in bidding and allowed us to upsell new services to existing clients.

As customers' approach to gathering and using data matures, design will become increasingly data-led. As part of Amey's Digital Engineering Strategy, we are setting out how we will collect and embed data throughout our design process to make ourselves more efficient and deliver better outcomes for our clients. Through our Advisory & Analytics team, we are in a strong position to provide significant value and benefit from this fast-growing area of the market.

We have a clear plan to capture continued growth in demand through a revised people plan and investing more in talent, to grow our core capabilities and project capacity.

Strategic ambition and priorities

We have a clear strategic plan to increase value and secure sustained, high-margin workload. In a highly competitive industry, we have established a strong position in our selected markets, leveraging our expertise and differentiated service delivery.

In a £2 billion infrastructure market, we are focusing on a selection of key long-term client relationships, where there is a need for the unique services we offer – integrating data analytics with knowledge of consultancy, design and implementation.

Our key strategic priorities are:

- **External growth:** we will continue to focus on consulting-only contracts to support future integrated opportunities, offering our Analytics & Advisory service to strategic customers and expanding into key frameworks to offer data-enhanced design.
- **Internal growth:** growing our business using our advisory and analytics capabilities. We will focus on integrated contracts in highways and rail with Transport Infrastructure and help new and existing clients use data in design.
- **Refocusing our services:** removing non-core activities and establishing new 'incubator' service lines such as: Place and Community Infrastructure, PMO, data acquisition, Front end Services (master planning, transport economics). We will continue to build IT platforms to meet customer needs and support service lines and seek opportunities to integrate our Analytics & Advisory services into design from the earliest stages.
- **Key Account Management:** focusing on our core clients through an integrated account management approach with Transport Infrastructure. We can add value by offering data and analytics services on top of core packages, building an integrated pipeline of work.

Transport Infrastructure

Revenue
£1,007m
(2020 £1,089.1m)

Operating profits
£1.5m
(2020 £56.3m loss)

Employees
4,200
at the end of 2021

Market leading, multidisciplinary provider of critical maintenance, upgrade and enhancement work to the UK's transportation market.

Overview

The Transport Infrastructure business consists primarily of Highways and Rail. These two sectors delivered 91% of revenue for Transport Infrastructure in 2021, with the remainder coming from Waste Collections and Power.

Working across the local and strategic road network, we deliver highways design and maintenance services for Transport Scotland, Department for Infrastructure (NI) and a variety of local authorities. We are also the leading provider for maintenance and response contracts for National Highways, responsible for 27% of England's motorway and trunk road networks.

With services ranging from cyclical and reactive maintenance, construction, traffic management, street lighting, grounds maintenance and winter maintenance, our teams work tirelessly to keep our roads and rail moving. Our capabilities also include engineering design and whole-life asset management advice, so we can recommend solutions which maximise the capacity and resilience of the UK's road infrastructure for current and future generations.

Working primarily for Network Rail, our Rail team's expertise lies in complex multidisciplinary railway systems projects. These cover the renewal and enhancements of existing railway track, structures, overhead lines, signalling systems, power supplies and security systems. With our broad but specialist capabilities, we offer a niche proposition that enables us to deliver complicated projects supported by our Consulting team's design and analytics capabilities.

Our unique offering is enhanced by our ability to deliver major enhancements and asset inspections, as well as operating light rail franchises through Docklands Light Railway and Manchester Metrolink. Working with Transport for Wales, we are the infrastructure owner responsible for the upgrading of track, signalling and electrification of the Core Valley Lines, which will improve rural connectivity across South Wales and see the introduction of brand-new rolling stock.

Transport Infrastructure also includes our local authority waste collections team, who collect waste and recycling from over 350,000 households every week and keep Household Waste Recycling Centres (HWRCs) open for the public all year round.

Key contract wins and renewals in 2021

- Traffic Scotland £30 million (total contract value)
- Civil Examination Framework Agreement (Network Rail) worth over £140 million
- Kent County Council contract extension worth over £100 million

Case study
Smart Winter with Kent County Council

We deliver highways maintenance and management services on behalf of Kent County Council. This includes the winter response team who keep the roads and pavements gritted and clear of snow. Currently, winter gritting is undertaken on a route-based approach aligned to local areas and strategic routes; however, this approach does not account for regional variations in climate and the local impact this can have.

With our data analytics team and operational expertise, we have developed a machine learning model that predicts the temperature of the road surface 24 hours in advance. Using weather forecasts and location features, it can predict road surface temperature to 90% accuracy, within 1°C. This highly detailed, localised information enables the grouping of road behaviours to create more efficient gritting routes.

Using this tool, we have now optimised all of Kent's winter gritting routes. Kent County Council have confirmed that they will be trialling the routes next salting season to improve safety.

"It is exciting to see the evolution of ground-breaking technology and the data we can use to make sure we are able to keep Kent moving in adverse weather. We know winter is a critical time for our teams and with this additional information we will prioritise salting the right routes at the right times, putting Kent County Council at the forefront of smart winter services."

David Brazier
Kent County Council's Cabinet Member for Highways and Transports

Key facts and financial results

The division's revenues, including share of joint venture revenues, totalled £1,007.1 million in 2021 (2020: £1,089.1 million). Operating profits, including share of joint venture profit after tax, were £1.5 million (2020: £56.3 million operating loss), before exceptional items. An exceptional credit of £8.5 million arose in 2021 from the reversal of a provision for a contract claim against Amey and another Ferrovial Group company, which was made in prior years and which is no longer required. In 2020, the division recorded net exceptional costs of £21.8 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) and on certain Power contracts (£3.3 million). This was offset by additional income and reduced costs arising on the final exit from the Birmingham contract (£9.7 million). Operating profit after exceptional items were £10.0 million (2020: £78.0 million operating loss).

The division employs circa 4,200 employees.

Strength in existing portfolio

2021 was a strong year for Transport Infrastructure. We ended the year achieving our predicted financial performance, enhanced by increased volumes and projects as a result of additional client funding, such as investment into new border control facilities for Kent County Council as a result of our departure from the European Union.

Throughout the year, we won a series of new contracts to strengthen our existing portfolio. These included a two-year extension to our highways maintenance contract with Kent County Council and one-year extensions to our street lighting contracts with East Renfrewshire and Inverclyde Councils. We secured a new contract with Network Rail to undertake examinations of railway structures, operational property, buildings and earthworks across the UK to support Network Rail to optimise the maintenance regimes of these complex railway assets.

We continue to work with Transport Scotland to inspect and improve over 12,000 intelligent transport systems, transmission buildings and associated communications equipment, which keep road users safe while travelling.

The mobilisation of the Area 12 contract completed in June, which saw over 130 employees join Amey, when we took responsibility for highways maintenance of the motorways and trunk roads across Yorkshire and Humberside. Our four-year contract extension to run Docklands Light Railway (DLR) for Transport for London also came into effect and will see KeolisAmey Docklands continue to operate DLR until April 2025.

Divestment of local authority waste collections contracts

We divested five of our Waste Collections contracts to Urbaser – Central Bedfordshire Household Waste Recycling Centres (HWRCs), Northamptonshire HWRCs, Eden, Selby and Gloucester. The Staffordshire HWRCs and Solihull contracts are also coming to an end, preparing for demobilisation in early 2022.

Sheffield contract negotiation de-risking operations

In Sheffield, we re-negotiated the payment mechanism on the contract. Deductions linked to KPI performance have been capped, which de-risks the contract and allows our teams to focus on operational delivery for local residents.

Rail investment post-Covid

The impact of Covid led to a reduction in income which meant we had to re-negotiate our Wales and Borders contract. Transport for Wales took over running the trains, while we continued with the upgrade and electrification of the Core Valley Lines. This will reduce our future revenue risk if passenger numbers do not return to pre-Covid levels. Work is underway on-site at Taff's Well depot, which will house trains, operational and maintenance crews and a new integrated control centre.

Significant works packages are underway on the TransPennine Route Upgrade to support the Government's Levelling Up agenda. The works programme has been agreed until 2023.

Robust operating rhythm

We've embedded the Project Triangle approach, which gives equal value to operational, finance and commercial teams at every layer of the business to focus on our costs and ensure maximum value creation. We have also refreshed our operating rhythm, providing clearer lines of communication between every level of the Transport Infrastructure business.

Future growth

Highways

Ongoing maintenance and renewal work in local and strategic highways will remain resilient, underpinned by the Government's continued commitment to secured infrastructure spending. Most recently, through the Levelling Up Fund announcements, which focus on improving everyday life in the UK and reducing spatial disparities and regional inequality.

Our current and future clients are committed to future highways projects due to other factors such as reducing accidents on our roads; strong structural trends within mobility and plans to drive further rollout of electric vehicle charging points; higher road usage intensity and an underinvested asset base in parts of the country.

These external policy and political pressures will ensure the robustness of the highways industry through:

- A strong pipeline of Local Authority highways spend over the next five years
- Prospects from RIS3, the next phase of National Highways' Road Investment Strategy for England's roads, beginning in 2025
- Additional investment in strategic roads by the Scottish Government.

Ongoing maintenance and renewal work in local and strategic highways will remain resilient, underpinned by the Government's continued commitment to secured infrastructure spending.

We have a long-term track record of performance, regularly demonstrate innovative approaches to design and operations, and have a strong presence in key regions which will benefit from the Government's Levelling Up agenda.

Rail

The Rail market is driven by regulatory spend cycles and the need for a structured approach to positioning for new opportunities. There is an increasing need to maintain and upgrade the nation's rail assets to meet stringent safety standards, and the sustainability agenda is providing new service streams.

Network Rail, which accounts for 75% of total UK rail spend, has a growing and predictable long-term spend profile. There has been only a marginal change to their maintenance and renewal budget as a result of Covid.

The long-awaited William-Schapps Plan for rail will bring the biggest change in the industry for 25 years. It will create a new public body, Great British Railways, to integrate the railways. It promises passenger-focused travel with simpler fares and reliable services and a more accountable system.

Our in-house consultants work as one integrated team with our expert delivery teams, enabling us to take complex projects from initial concept through design and construction to maintenance and frontline service delivery. This puts us in a strong position to work with the Great British Railways transition team, to support the changes proposed to the rail network from 2023.

Strategic ambition and priorities

We will continue to review our business model to achieve value for money for our clients by identifying digital and data-led opportunities to improve our customer-focused solutions and embed a continuous improvement culture in how we work.

By focusing on the transformation of our core service, with strong partnerships critical to how we do business, we will demonstrate the positive impact effective service delivery can have on delivering local social, economic and environmental outcomes for communities.

We have secured a leading position in the strategic highways market for the rest of the decade and will continue to build on our strong relationships with local authorities to offer greater opportunities for integrated transport services and assets. Working with our Consulting business, we will create cross-functional capabilities to encourage an innovation network to support our clients' future ambitions.

To respond to structural tailwinds in the rail industry, we will be working with a public sector that is committed to major projects such as HS2 and the TransPennine Route Upgrade. We will build a stronger regional presence for the next phase of significant investment and outputs being developed by Network Rail and the Office of Road and Rail. Building on our strong industry relationships, we will continue to offer industry guidance and strengthen our position in the next regulatory cycle while supporting the transition to Great British Railways.

Secure Infrastructure

Revenue
£1,338m
(2020 £1,137.9m)

Operating profit
£70.6m
(2020 £59.5m)

Employees
5,600
at the end of 2021

A critical supplier of integrated facilities services within complex environments across the UK public sector and defence.

Overview

Secure Infrastructure provides integrated facilities, environmental and project management to the UK public sector and defence – looking after some of the country's most critical assets. The business maintains and reports core infrastructure such as military buildings, prisons, care facilities and schools and creates operating environments that are safe and compliant.

Our capabilities range from construction services, lifecycle works and repairs and maintenance, to helpdesk services, cleaning, and catering. As a strategic partner, our offering is built in collaboration with our clients – helping them to make smarter decisions about their estates, how to invest and generate value.

We support the UK justice sector through the provision of secure facilities management within prisons, prisoner escort, and court and transport services. We are one of the largest defence services companies in the UK, ensuring our UK Armed Forces, and visiting forces, have suitable vehicles, equipment, and housing.

We deliver essential services across England, Wales, Scotland and Northern Ireland - looking after 141 schools and colleges, 25,000 military homes and 60 prisons. We also maintain NHS estates for Birmingham and Solihull Mental Health Trust, and a wide variety of workplaces for public sector organisations including National Highways, The UK Hydrographic Office and local authorities.

We work in partnership with our clients and use knowledge and insight to help them create workplaces that are fit for the future. Our approach to compliance ensures we deliver a market-leading data-driven service that is responsive to the changing requirements in legislation and industry standards. By using optimised digital asset management solutions and specialist resources we provide assurance and deliver a collaborative approach to risk management.

Across all our operations we aim to create a positive impact on the environment and people around us. We build social value into the services we provide to our clients and are committed to enhancing the communities we deliver services to.

Key facts and financial results

The division's revenues, including share of joint venture revenues, totalled £1,338.4 million in 2021 (2020: £1,137.9 million). Operating profits, including share of joint venture profit after tax, were £70.6 million (2020: £59.5 million profit).

The division employs circa 5,600 employees.

Key contract wins and renewals in 2021

- Supporting Police Scotland in preparations for COP26 with the provision of temporary cells – £3.2m
- Two Regional Accommodation Maintenance Services (RAMS) wins
  - Central region – £453m
  - Northern regions – £262m
- Extensions to our Ministry of Defence (MoD) USVF (£18 million) and MoJ contracts (£157 million).

Case study
New sustainable home for military dogs

When the Defence Infrastructure Organisation (DIO) needed new accommodation for the Canine Training Squadron (CTS) in Melton Mowbray, Amey Defence created a new, solar-powered facility that generates its own heat and has a host of other sustainable features.

The first of its kind in the MOD's Regional Prime contracts, the carbon-neutral building will provide comfortable, warm accommodation for 200 working dogs and their handlers, and help the Army achieve net zero by 2050.

At the heart of the building's heat system is a six-row array of solar panels feeding a battery generator, backed by an intelligently controlled air source heat pump and a heat recovery facility. Further sustainable features include:

- A greywater harvesting system which reuses waste-water from washbasins, showers and baths cutting mains water use by up to 60%. Rainwater is captured to use for boot-cleaning
- Bike racks to encourage cycling
- Internal walls designed to be reconfigured and reused if the building needs to be demolished and rebuilt, further reducing CO_2.

We have also introduced 'GliderBIM', an intelligent online platform for managing project information and asset data. This will give everyone access to live data enabling optimum maintenance to minimise future costs.

The project achieved a Defence-Related Environmental Assessment Methodology (DREAM) 'excellent' rating.

"This project is a shining example of how data driven design and innovative solutions can deliver site optimisation and cost savings for our client and end users."

Craig McGilvray
Managing Director, Transport Infrastructure

Delivery in challenging times

Our operational performance has been strong in all areas throughout 2021. We maintained critical infrastructure despite the challenge of the Covid pandemic and our clients recognised the efforts of our frontline teams who went above and beyond to support.

Notable projects included building temporary accommodation units within the HMPPS prisons estate to allow for social distancing among prisoners, ensuring infrastructure that is key to the country's security remained operational at the MoD Whitehall building and ensuring NHS care facilities were kept operational throughout the pandemic.

The essential nature of the services has meant our financial performance has remained robust against the disruption to schools and project delivery.

Our operational delivery teams have also stepped up to tackle issues caused by delays in goods and materials, fuel shortages and travel disruption caused by Brexit.

Growth and new work

Organic growth continues, with record levels of demand for project works across facilities management and justice sectors.

We have also continued to see high levels of demand for additional works and services across the outgoing NGEC programme, which involved the management and maintenance of the MoD housing and built estate. We will continue to see a significant pipeline of works in the six months post contract end.

We were also mobilising the FDIS Regional Accommodation Maintenance Services (RAMS) contracts for housing maintenance in North and Central regions, having won the maximum two contracts to be awarded by the MoD.

These replace elements of the NGEC contract and will include statutory and mandatory checks, repair and maintenance services and the preparation of allocated homes for Service families. These were ready for work from April 2022.

Fiscal stimulus work under NGEC housing has exceeded expectations and will continue alongside mobilisation of the FDIS RAMS. Projects under this programme included the full refurbishment of 800 homes and improving the energy efficiency of properties by providing external wall insulation, replacing windows and doors and fitting new heating systems.

The Amey and Briggs Equipment UK Limited joint venture to deliver services for MoD construction and materials handling equipment, was successfully mobilised and is performing well.

We continue to innovate and enhance our systems to deliver contract efficiencies and have embedded a standardised IT CAFM system across our facilities management contracts. This will ultimately automate compliance reporting and make delivery more efficient.

Within our MoJ Prisons contract the project Mercury initiative, which provided an end-to-end process, system and people review aimed at increased confidence in asset data, enhanced margins through increased efficiency.

Secure Infrastructure has seen record levels of activity through this year and is ahead of forecast on all metrics. We have seen high demand across both defence and MoJ prison contracts, with strong recovery following the impact of Covid in 2020. Our schools' contracts have also performed well in Scotland and England, with all planned lifecycle works now complete. This puts us in a good position for the future.

Future growth

The order book value at the end of December 2021 reflected £3.1 billion of future work, this was up from £2.6 billion at the end of December 2020.

Justice

The MoJ is set to continue spending on maintaining and upgrading its estate. Historic under-funding will require an ongoing increase in maintenance spending and a £4 billion investment in 18,000 prison places by 2026.

The prison transport market is forecast to grow in the medium term, due to an increased prisoner intake and court backlogs due to Covid.

Amey is the leading player amongst a narrow set of core suppliers, gaining best-in-class customer approval and KPI performance ratings, leading to increased confidence in us by the MoJ.

Defence

The defence market continues to grow with an increasing requirement for maintenance of the defence estate. The Defence Infrastructure Organisation spends £3 billion per annum buying infrastructure services which is driven by a long-term backlog of repair requirements, a focus on proactive upgrades and a reputational requirement to maintain accommodation standards to retain military talent.

Our ability to form efficient joint ventures with contractors who provide complimentary services, positions us well for future defence opportunities.

Our skills in central government asset management are highly transferable and we have already seen interest from new client interest. There is a large pool of potential in a highly favourable market that presents a major opportunity.

Strategic ambition and priorities

With an enhanced pipeline in other secure facilities management segments and further opportunities to leverage our core capabilities, we have a clear pathway for delivering growth.

We are capitalising on our favourable position in defence, following the award of RAMS contracts in North and Central. In addition to our strong order book of defence opportunities in existing territories, we are hoping to expand our operations into overseas territory. We hope to support our client in their increasing programme of additional works.

We will maintain and strengthen our relationship with the MoJ and hope to secure a renewal of our current contracts and win future tenders. This aspiration is underpinned by the support we are providing to the MoJ across its Welsh prison and probation service – delivering an integrated pilot that aligns the maintenance provision.

We are also planning to expand our FM offering into other markets within the public sector – such as government agencies, emergency services and higher education. To find out more and build our reputation outside the DIO, we are forming new relationships with public sector stakeholders and key government bodies.

To serve our customers who have enhanced cybersecurity requirements, we are investigating the potential of secure digital platforms to offer a bespoke service. We are also looking into intelligence-led asset management, allowing us to expand the range of value propositions we can talk to our customers about.

All of these developments come with a strong focus on cost efficiency, to maintain a stable overhead base while we continue to grow our revenue. With the defence NGEC contracts ending during Q1 of 2022, overall revenues will diminish by around 30%. The remaining contracts provide a long-term foundation for sustainable financial return and a stable springboard for future growth.

Utilities – Water

The divestment of this business was completed in April 2022 and the results of this business have been classed as discontinued activities for the Group in the financial statements.

Certain contracts have been retained and are reported as part of the Transport Infrastructure business.

Our Utilities Business Unit constructs and maintains vital water infrastructure across the UK, keeping essential services running.

In 2021, we have built on the work of previous years to stabilise our business. We have delivered a profitable performance from our UK water contracts, which are to be divested from Amey. This has offset the costs of closing down our Energy Metering business and de-mobilising expired contracts, mainly in relation to Severn Trent Water.

The business unit's revenues totalled £121.8 million in 2021 (2020: £153.3 million). The operating loss before exceptional items for the year was £1.8 million (2020: £1.7 million operating profit). In 2021, the division incurred an exceptional charge of £30.3 million (£28.8 million after associated tax credit) arising on the impairment of goodwill and other intangible assets. There were no exceptional items in 2020. Total operating loss for 2021 was £32.2 million (2020: £1.7 million operating profit).

We completed our exit from smart metering, sold our I&C assets to EON.

Waste Treatment

The Group, in conjunction with Ferrovial, has now re-assessed the ownership strategy of the Waste Treatment business to follow going forward.

Ferrovial have confirmed that in the event of a disposal of the Amey Group by Ferrovial, the Waste Treatment Group will not form part of that divestment and accordingly Ferrovial have confirmed that they will be acquiring this Cash Generating Unit (CGU) from the Amey Group. Accordingly, the results of this business have been classed as discontinued activities for the Group in the financial statements. The Waste Treatment business operates recycling, composting and energy from waste facilities across its four sites in North Yorkshire, Milton Keynes, Cambridgeshire, and the Isle of Wight.

The division's revenues for 2021, including share of joint ventures revenues, totalled £129.2 million (2020: £121.3 million). Operating losses before exceptional items, including share of joint venture profit or loss after tax, were £46.3 million (2019: £43.8 million loss). In 2021 exceptional costs of £22.4 million arose in respect of additional future loss provisions of £13.6 million in respect of the North Yorkshire waste management contract and a further £8.8 million in respect of the Milton Keynes waste management contract. In 2020 exceptional costs of £42.8 million arose 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. Overall operating losses were £68.7 million (2020: £86.6 million).

On the Isle of Wight, construction of our energy from waste plant has progressed and the facility is currently processing waste. However full operation has been delayed due to restrictions in trade and travel caused by the Covid pandemic and the departure of a key technology provider on the project. We anticipate the site will be fully operational by early 2023.

People

We are very proud of our people and the public services they deliver.

Amey is a modern organisation with a progressive people culture that continually re-thinks the way we work. We embrace difference and diversity and support inclusivity by fostering a Freedom to Perform culture where people feel empowered and have the flexibility to make their role work for them.

This approach is underpinned by three strategic pillars set out in 2021 by Amey's People team.

INCLUSIVE WORKFORCE

A culture of difference and opportunity for all. Amey embraces difference, you can be yourself and bring your whole self to work.

FLEXIBLE WORKFORCE

Provide our people the autonomy to make their own decisions and work flexibly where they can, enabling a true work-life balance.

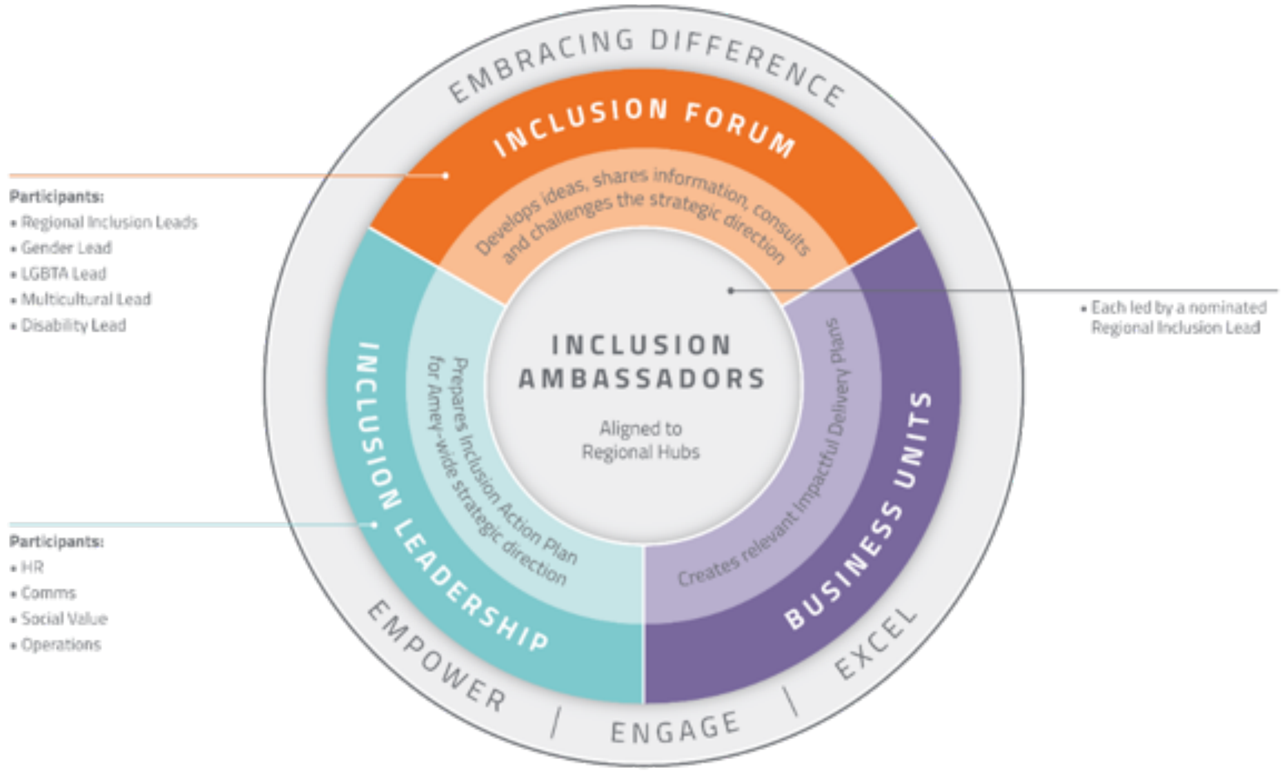
REMOVE BARRIERS TO SYSTEMS

Providing guidance rather than policy and making it easier to access and use our services.

Inclusive workforce

During 2021, we have been embedding our Embracing Difference Strategy across the organisation. We have an approach in the workplace, where they feel valued and empowered to add value.

Our Inclusion Ambassadors sit at the heart of this approach, making inclusion the thread that connects everything we do. Tackling any forms of inequality in the workplace is the right thing to do for our people. It also makes good business sense to reach out, support and nurture talent from as wide a pool as possible.



Inclusive workforce (continued)

We published our first Ethnicity Pay Gap Review and data shows our ethnicity disclosure rate is 81%, and our median pay is better than the national average. We have re-affirmed our signatory of Business in the Community's (BiTC) refreshed Race at Work Charter, a campaign which drives action and supports race equality in the workplace.

We secured Disability Confident Level 2 (Employer) accreditation and are now working towards becoming Disability Confident Level 3 (Leader) in 2022.

Our inclusion strategy also resulted in two UK recognised awards, the HR Excellence award for Best Inclusion and Diversity Strategy and the Employers Network for Equality and Inclusion's Inclusive Culture Award.

Inclusion initiatives

- We added Multicultural and Neurodiversity Affinity Groups to our Inclusion Ambassador Network.
- We launched our first Inclusion survey and 93% of our respondents described a feeling of belonging in Amey.
- We targeted diverse talent, particularly across our senior and early careers hires, in order to build our leadership pipeline and as an example, gender diversity in our executive committee increased to 33% - up from 22% at the start of the year.
- Inclusion Business Information dashboards showing the diversity make up of teams have been made available to Account Leads which enables targeted action at a local level.
- The most senior 100 leaders across Amey have all been coached in multicultural lived experience training via 'What is privilege anyway?' sessions run by our Affinity group leads.
- We held two safe space sessions with volunteers from our Multicultural Affinity Network with Senior Leadership Team members to understand what it really feels like to be in a minority in Amey.
- Throughout 2021 we held Amey-wide events to celebrate International Women's Day, National Inclusion Week, Black History Month and Race Equality Week.
- Our Women's Leadership Development programme nurtures the skills, knowledge and capability of 20 of our most talented women each year and 64% of participants take a lateral or promotional move within the organisation.
- We have enhanced our maternity pay so that employees can now receive contractual pay for the full 52 weeks of their maternity leave.

Flexible working

At Amey we give our people the Freedom to Perform – empowering them to have flexibility and make the right decisions about when and where they work. This allows our inclusive, people-focused organisation to excel.

To enable frontline workers to have some flexibility, in August we introduced a Personal Day for all frontline employees – allowing them a day (or two half days) off for personal commitments.

By embedding flexibility into our organisation, we are ensuring our vacancies are open to a more diverse talent pool, including women, carers, parents and people with disabilities and gives everyone the opportunity to succeed, no matter what their background or experience is. We also recognise the value that different perspectives can bring to an organisation.

We will continue to work to support all our people to achieve some way of flexible working.

Removing barriers and simplifying processes

Rather than imposing rules and regulations, our focus was on developing our people, so that they have Freedom to Perform.

We have updated our People policies, transforming them from long, complex, HR documents into easier-to-understand, straightforward guidance. We have made them easy to access from the People section of our intranet, AmeyWorld.

In 2021 we began a review of our Employee Resource Management (ERP) systems – Employee Self Service and Manager Self Service. By removing multiple entry points to our ERP systems, we will enable better local decision-making and access automated processing rather than manual interventions. The output of the work to date aims to implement a new, more modern ERP system in 2022.

We have also provided focus to key people areas such as attraction, retention and engagement.

Recruitment

In 2021 the resourcing team recruited 3,488 new people. Time to offer and agency spend were reduced and bringing executive search in house resulted in a £974,660 reduction in recruitment spend with external agencies. Overall, only 2% of all hires were recruited by external agencies.

The internal recruitment teams looked to focus on recruiting diverse employees, with the proportion of female employees externally recruited into the senior (bands D-F) roles increasing from 16% in 2018 to 24% in 2021.

As well as specifically targeting women in our recruitment communications, we changed the way we recruit. By prioritising talent over experience, we opened up more opportunities to women and a younger generation.

Recruitment for our 2021 Graduate and Apprenticeship programmes completed in the autumn with 160 new starters.

To measure for our People First Approach we, started a unique and innovative partnership with Investors in People (IiP). An accelerated programme, moving our status from Silver to Platinum over three years from Oct 2021. In early 2022, IiP awarded us double Gold status for our approach to Investing in our people and their wellbeing putting us at one of the top 1% of employers.

Employee engagement

Covid restrictions required office-based workers to continue working at home for a large proportion of the year to help reduce the spread of the virus. Communications activities throughout 2021 were vital in helping to keep our workforce connected.

We had regular CEO cascades throughout the year to our 100 most senior employees, supported by a briefing pack. Attendees used this to brief their teams so that all employees received the key corporate messages. A number of CEO all employee calls were also held. In September, an easing in restrictions allowed us to hold a face-to-face conference. The conference was open to a cross section of employees throughout the organisation from senior leaders, to Changemakers, to apprenticeships and Affinity Network leads. This provided more people across the organisation to have the opportunity to listen, ask questions and disseminate outputs to their own networks.

Following feedback, we reduced the number of corporate emails sent to all employees, focusing on emailing only core policy information. We have built up the use of Yammer as a channel for two-way conversation, allowing employees to digest the news that interests them most and to feed back their views. A weekly Yammer round-up provides an easy-to-read digest of key updates and read by 4,500 employees (which represents a large proportion of our office-based employees). Members of our executive committee also provide a weekly vlog update on their area of work.

We produced three issues of 'Hub', our employee magazine, which is sent to all frontline employees, with digital copies made available to our office-based employees. This continues to be an effective way to reach our offline workers. We also publish webpages on key people initiatives (inclusion, Covid, wellbeing), which all employees can access from their own devices without being on an Amey Network.

Our a*stars Awards at the end of the year were a celebration of our people, with 661 individuals nominated by managers or peers. A virtual ceremony was held and teams encouraged to take time out to watch the awards.

Our Covid digital hub, available to all employees, was continually reviewed and refreshed so all employees had access to the most up-to-date information on Covid in the workplace.

Engaging with our 3,000 frontline employees continues to be a focus. We ran pilots in a number of business units with frontline employees, who have fewer opportunities to access digital employee communications:

- Our Secure Infrastructure teams trialled monthly information cascade briefings, where people managers briefed employees on key initiatives.
- Transport Infrastructure launched a Lead to Engage programme towards the end of 2021. This works at account level, creating opportunities for face-to-face conversations, let everyone make their voice heard and make a difference. Agendas include business updates and information and focus on issues and ideas raised by our employees via their engagement ambassadors. Based on this employee feedback, we will improve how we work. We are rolling out Lead to Engage across Amey in 2022.

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

More formal employee engagement is conducted through employee-appointed representatives as required. Amey Group also engages at national, regional and local level with a number of trade unions.

Looking forward

In 2022, we will be developing our attraction proposition to position Amey as an employer of choice. To support the attraction proposition, we will be upgrading our Applicant Tracking System to make sure the candidate application process is easy to access and use. Coupled with this, we will work with external partners to ensure our recruitment practices are supportive to neurodiverse applicants.

As we come out of Covid, we will be taking a more strategic approach to employee surveys and focusing on getting more responses from frontline workers.

We will select an employee ambassador to attend key executive committee meetings to give employees a voice at the highest level. We will also review how to reenergise and coordinate all our teams of Changemakers and ambassadors.

Following the success of the Women@Amey Development programme, we are now creating a bespoke development programme for underrepresented groups.

Wellbeing

Amey's vision is that our employees can achieve their best overall wellness. Our mission is to empower and support our people to prioritise their health and wellbeing through a culture which promotes a sense of belonging.

We do this through our holistic Wellbeing Framework which considers the physical, mental, financial, social and workplace wellbeing needs of our people.

Our wellbeing agenda has been gaining momentum. We have been encouraging people to speak up and ask for help. We provide services, interventions and support that help people to improve their resilience.

To help deliver this strategy, we held Wellbeing Wednesdays every month, encouraging people across the organisation to make time for their own wellbeing. Each month a different wellbeing topic covering either a mental or physical health issue was selected. Information was provided to employees around the topic, signposting them to further free resources and information. Our Wellbeing Coach launched a series of podcasts to promote wellbeing.

Our active group of Wellbeing Ambassadors run weekly meditation, drop-in and yoga sessions to encourage employees to focus on their own wellbeing throughout the working week. To increase awareness and understanding of mental health, we are upskilling our entire network of Wellbeing Ambassadors in Mental Health First Aid, training 100 people in the last year.

New mental health training programmes were rolled out to all People Managers to help them manage conversations about mental health with their team. There was strong engagement with these training programmes, with 93.23% of managers completing the Manage the Conversation training and 95.6% completing the Start the Conversation course.

We launched 'Shooting the Breeze', a new regular talking and listening group for men – a safe space for men to socialise, share and support each other.

We are committed to being a menopause-friendly organisation and launched Peppy, a menopause support service for all employees and partners. This service provides 1-2-1 support with a menopause specialist to discuss symptoms and treatment options, work issues and to make a plan to move seamlessly through the menopause transition.

We continually promote our Employee Assistance Programme which is also accessible for immediate family members. All employees have access to a financial support tool to help them look after their financial wellbeing.

Safety

The health and safety of everyone who comes into contact with our activities is one of our key principles, and we want to make sure we send our people home safely at the end of their working day.

Our aim is to deliver our operations safely every day, where no injury or ill health is caused by our work activities.

The health and safety team and the operations work collaboratively to constantly improve performance and sharing learning and best practice.

The annual trends over the last five years are all positive, with safety programmes driving a reduction in incident rates. In 2021, we increased the number of serious incident reviews by 21% and enhanced these by adding human factor analysis and providing a summary of lessons learned in Q4.

Our RIDDOR Injury Rate is at 0.17 injuries per 100 workers. Our three core business units (Consulting, Secure Infrastructure and Transport Infrastructure) have shown a 29% decrease (nine fewer RIDDOR Injuries) and sits at 0.10 injuries per 100 workers. Our Specified Injuries Frequency (SIF) rate for 2021 is 0.262 against the 2021 target of 0.289 and is a 15% reduction against the 2020 figure. Our 'All Injury Rate' has reduced in the rolling twelve-month period, resulting in 101 fewer injuries across the business. Consulting and Group continued the trend of reporting no lost time injury in 2021.

In 2021, on average across the Group, 97% of our daily operations were delivered incident free and our reportable injuries reduced by nearly a third.

During 2021, Amey Rail Limited was fined £600,000 for failure to ensure lifting operations were carried out in a safe manner at Market Harborough station in 2018. No one was seriously harmed during the incident. In April 2021, one of our Waste Collection businesses, which formerly managed waste collection for Daventry and Northampton District councils, were fined £1 million for an accident in 2016 which sadly led to the death of an employee.

Lessons learned from both these incidents have been implemented across Amey and we have an ongoing focus on continuing to reduce both the severity and frequency of incidents across operations as outlined in the section above.

2021 Sector lost time injury (LTI) status

The Lost Time Injury rate for all workers, including contractors for 2021 is 0.34 and the business unit LTI performance is detailed below.

Sector	SIF events	Days without an LTI	Days since last LTI	% of Days without an LTI
Central Services	-	365/365	2,860	100%
Consulting	-	365/365	3,137	100%
Transport Infrastructure				
Highways	2	349/365	50	96%
Rail	2	363/365	22	99%
Waste Collection	1	358/365	88	98%
Secure Infrastructure	7	328/365	8	90%
Utilities	3	353/365	22	97%
Waste Treatment	-	364/365	229	99%

Safety (continued)

2021 safety highlights

- Won RoSPA 'Initiative of the Year Award 2021' for 'Future Office Initiative'. The initiative was developed as a direct implication of the Coronavirus. There was a need to examine the psychological implications (such as stress or isolation) on employee wellbeing to subsequently develop solutions to address areas of concern.
- RoSPA – Rail commended in the Public Service and Local Government Sector Award. Highways and Power Major Projects won Gold awards.
- Our Transport Infrastructure HSEQ Director became Vice Chair of Safer Highways, so we can continue to stop roadworker abuse across the wider highways sector.

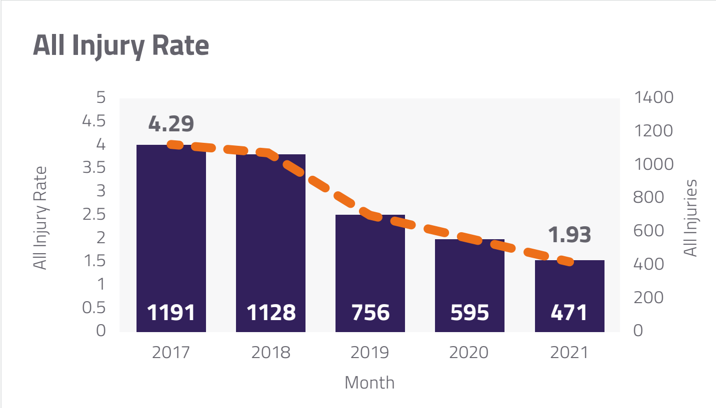
Promoting a culture of safety

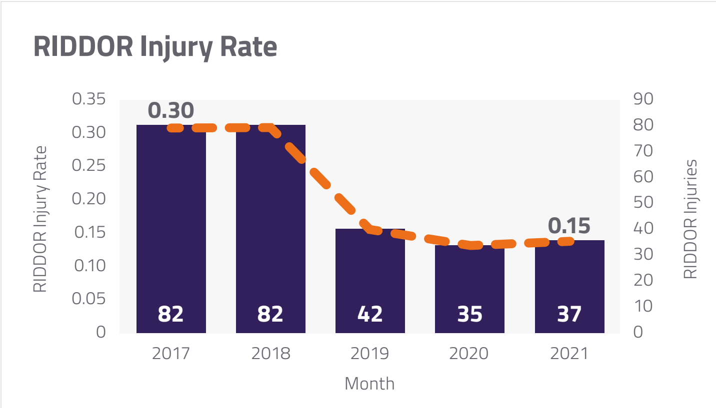
Our Zero Code remains core to our business. It is designed to be simple and highlights key actions everyone must take to protect themselves and others from harm. It focuses attention on encouraging and developing correct and safe behaviours and comprises four key principles:

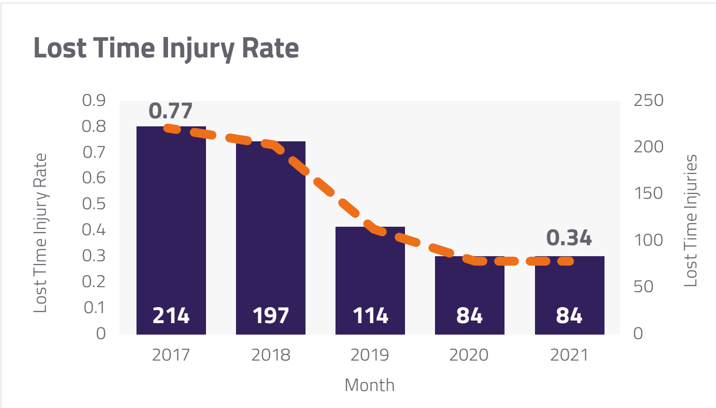
- Ready to go (fit and well)
- Kitted out (right tools, equipment and competence
- Stick to the plan (reassess if things change)
- Stay alert (be aware of risks and hazards).

We encourage employees to feel empowered to shout out if they see work conditions that are potentially unsafe.

Our focus for the next two years is on moving from compliance to care and from rules to relationships, building on the successes already achieved. By adding a 'human factors' approach, we will provide additional thinking and tools to reduce both severity and frequency of incidents within Amey.







Covid

The Covid Steering Committee met regularly throughout 2021. They continually adapted and implemented revised working practices throughout the different stages of the pandemic to comply with Government guidelines to continue to operate safely during Covid.

In 2021, we uplifted sick pay for 3,000 employees from Statutory Sick Pay to the Amey contractual minimum of four weeks full pay and four weeks half pay. This provided more financial security for our people if they become ill or need to self-isolate due to Covid.

Our Covid digital hub, available to all employees, was continually reviewed and refreshed so all employees had access to the most up-to-date information on Covid in the workplace. We actively encouraged all our employees to take up the vaccination programme and our operations were flexed to allow time off to attend vaccination appointments.

We have a small number of employees who have long Covid and are supporting their return to work with the support of our Occupational Health providers.

Communities

We believe in creating a sustainable future for the communities we operate in.

Our Social Value Plan aims to stimulate action across our business, our supply chain and inspire our people and the wider industry to act. As a large company, we have a responsibility and the opportunity to leave a positive impact on people and on the environment through everything we do – together.

To achieve this ambition, stimulate action, and help us navigate the journey, we have developed our Social Value Plan which sets out 13 priorities, under four pillars, as a roadmap for delivering positive social impact.

This plan guides our business until 2024 and we aim to be collaborative in delivery and transparent on progress along the journey.

Our Social Value Plan

During 2021 we worked with the Manchester-based social enterprise Reason Digital, to develop a tool to capture our social value activity. This social value tool provides the measurement platform to evaluate the impact of our social and sustainable activities. We expect full roll out of this tool and detailed reporting to be completed during 2022.

In addition to the platform, we have created a Social Value Toolkit to support our teams in creating work-winning solutions, that address the needs of our clients and customers in the communities that we operate.

Investing in our people

Developing our people and supporting them in gaining the skills they need to succeed.

Our priorities:
- Develop and engage people within our workplaces
- Create inclusive workplaces and diverse workflows
- Achieve zero harm and promote healthy lifestyle

Supporting our suppliers and innovation

Building healthy and diverse supply chains by engaging with our suppliers and making Amey an easier business to work with.

Our priorities:
- Increased spending with SMEs and VCSEs
- Paying suppliers promptly
- Reducing the risk of modern slavery
- Promoting innovation and technology

Reducing our carbon footprint

Protecting and enhancing the planet by going beyond zero carbon and creating environments for all.

Our priorities:
- Reduce carbon footprints to net zero and adapt to climate change
- Use materials and products from sustainable sources
- Create greener and cleaner places in which to live and work

Transforming local communities

Delivering positive and lasting change to communities that's built on a foundation of trust.

Our priorities:
- Involve, listen and connect with our local communities
- Give back to our communities to make a difference that lasts
- Open doors, educate and improve the skills in our communities

Levelling up and social mobility

At Amey we want to give everyone the opportunity to succeed, no matter what their background is or their experience. Everyone deserves the chance to fulfil their potential and achieve their career ambitions. We have continued to prioritise initiatives that support levelling up in the UK and creating inclusive workplaces and diverse workforces.

In October we launched our Opportunity Action Plan in partnership with the Social Mobility Pledge (SMP) and the former Education Secretary, Rt Hon Justine Greening.

The Opportunity Action Plan builds on the work we already do, aligning our actions to the SMPs 'Levelling Up Goals' and sets out six recommendations which we ae now delivering against, ensuring we deliver new opportunity into the heart of the communities where we operate. The recommendations range from providing school outreach and early career opportunities including apprenticeships, through to offering second chances to people who face particular barriers and measuring our impact.

Measuring socio-economic diversity

We believe diversity is more than your gender, ethnicity, sexual orientation or age. Our experiences, education and socio-economic background goes towards creating diverse and high performing teams.

In 2021, we began monitoring the socio-economic diversity of our employees, focusing initially on those participating in the Kickstart scheme. We followed measurement guidance from the Social Mobility Commission.

The data was compared against national averages and demonstrates that through the Kickstart scheme we provided career opportunities to those who are less socially mobile.

We intend to widen our socio-economic diversity data capture and analysis to all employees to help ensure that background is not a barrier to opportunity and progression.

Indicator	Response	Amey Kickstart participants	National average
What was the occupation of your main household earner when you were about aged 14?	Professional	45%	37%
	Intermediate	9%	24%
	Working class	45%	39%
Which type of school did you attend for the most time between the ages of 11 and 16?	Independent/ fee-paying	0%	8%
	State school	100%	92%
If you finished school after 1980, were you eligible for free school meals at any point during your school years?	Yes	50%	15%
	No	50%	85%

Educating and inspiring young people

We continue to invest in skills, education and training, providing leading employment opportunities in local communities, with a particular emphasis on supporting young people into employment.

As part of broader commitments to deliver social value in the communities in which we work, education and business must come together, supporting all young people and those starting out in a new career to have the opportunity to access the workplace and build successful careers.

To guide our activities, we have five priorities. These priorities help shape the programmes we offer and develop the way we work with our partners and employees:

SHARE OUR SKILLS, RESOURCES & ENTHUSIASM
Our employees and partners design and deliver projects to benefit young people to succeed

ENABLE A PIPELINE OF FUTURE TALENT
Embracing difference to create a diverse and inclusive workforce

INSPIRE AND EDUCATE
Providing a taste of careers available and the essential skills they need to succeed

PROVIDE OPPORTUNITIES
With an emphasis on those that face barriers or disadvantages

PROMOTE STEM
Science, technology, engineering and maths opportunities

To help us achieve these priorities, we have worked on several different initiatives:

The Amey Education Hub

The Education Hub was created at the start of lockdown as a central place to store all our educational resources and for everybody (internal and external) to be able to access them. The Hub provides free access to a range of inclusive activities and resources to help educate, engage and inspire our young people. All the activities aim to give a taste of the diverse careers available at Amey and within our sectors, and in particular with regard to STEM subjects. They include the likes of:

- Engineering Challenge Pack
- Resource library for employees to download activities/presentations to deliver and for young people to download resources
- Information about our partners
- Links to key programmes including our STEM ambassadors, the Amey Challenge Cup, Work Experience, Chat and Learn and early careers opportunities.

STEM/Education Working Group

We set up an Education and STEM working group last year with all our STEM ambassadors and employees from across Amey who are passionate about delivering STEM to young people. We meet quarterly to discuss what STEM initiatives are coming up, how we can collaborate together and to share best practice. We also invite external partners to the meetings to discuss different opportunities.

Virtual work experience

In 2021 we partnered with Speakers for Schools to offer work experience to young people virtually. Speakers for Schools' aim is to end educational inequality by connecting their national network of schools with employers. The experience programme is all about delivering work experience virtually through a simple, safeguarded portal, Google Classrooms. Speakers for Schools' network of secondary schools and colleges helps us find the right students based on their location, ethnicity, gender, student need, school need, if they are on free school meals or have special educational needs. The work experience programme consists of virtual site tours, guest speakers and interactive breakout sessions with their teams to deliver a project which they can present back at the end.

We piloted our virtual work experience offering in February 2021 with three virtual work experience programmes in collaboration with the construction industry. We also delivered a Discovery Workshop – a one-hour recruitment careers session to several schools.

In 2021 this programme reached 223 young people from a diverse range of backgrounds. We plan to continue to deliver more virtual work experience in 2022.

DofE Award and partnership

Amey has a long history with, and are proud partners of, The Duke of Edinburgh's Award (DofE). The DofE Award, founded in 1956 by HRH The Duke of Edinburgh, provides a personal development, programme focus and purpose for young people.

Achieving this internationally recognised DofE Award helps level the playing field and offers opportunities for all young people to develop essential skills such as teamwork and leadership, and ultimately progress in education or secure a job interview.

We have seen first-hand the powerful impact the challenges and opportunities offered by the DofE has had on our own young employees. Since our partnership began, 538 young people in Amey have started their Gold DofE Award and 11 individuals started their journey during 2021. This number was less than anticipated due to the Covid-19 pandemic.

As well as supporting our own young people to go through the DofE Award, our investment has helped the charity remain agile, creative and flexible during the Covid pandemic, so that young people could carry on doing their DofE – helping rebuild their futures with resilience and confidence.

"The Duke of Edinburgh's Award has changed the course of my life for the better, enabling me to work more effectively as part of a team as well as independently and as a leader. This programme has given me new skills that I would have never gained from anything else, ultimately, fuelling my ambition to work hard and get the most out of what I do."

Joseph Williams
Rail Apprentice, Amey

Apprenticeships and early careers

Our apprenticeship programmes offer participants the chance to gain valuable qualifications whilst obtaining practical work experience and building core skills to help progress their careers.

Our apprentices work across every area of our diverse business – from electricians to customer service assistants, highways operatives to rail engineers. We offer a range of programmes from intermediate, to advanced and higher levels and more recently, degree apprenticeships.

Our apprentices join us in April and September each year. This creates a strong community which provides support to our new starters. A vibrant and supportive early careers community is important to us. We offer a range of exciting development workshops where our apprentices and graduates can develop key skills for success in the workplace, be given guidance on career planning and gain confidence in other areas such as life skills and change management.

Last year we recruited 89 new apprenticeships into the business, bringing the total number of apprenticeships within Amey to 187. In 2022 we plan to more than double the number of apprenticeships in the business and recruit an additional 219 new apprenticeships into Amey.

Opening doors to people facing barriers

- **Kickstart** – working in partnership with the Department of Work and Pensions (DWP), throughout 2021, we enrolled 28 new employees through the Government-backed Kickstart scheme. This scheme was designed to offers six-month jobs for young people aged 16 to 24 years old who were claiming Universal Credit and at risk of long-term unemployment. We celebrate those who complete the six-month scheme with virtual graduation ceremonies. More importantly, all the young people who took part have successfully moved into either an Amey apprenticeship programme or an early careers role.
- **Prison leavers** – we partner with New Futures Network, Recycling Lives, Forge Ahead and The Forward Trust (formerly Blue Sky) to support the employment of prison leavers. These organisations help us to identify individuals, as well as supporting and advising on wider needs.
- **Supported internships** – we support people with learning disabilities, giving them opportunities to experience the workplace, and then go on to apply for full time roles.
- **Service leavers and their families** – Amey is a signatory to the Armed Forces Covenant and has achieved Gold in the Defence Employee Recognition Scheme for employing and supporting ex-Forces personnel, military partners/spouses, cadets and veterans. In total we made 91 of these hires. We partner with Women in Defence, BuildForce, the Careers Transition Partnership, Open University, Forces Families Jobs, SSAFA and RBLI – supported by our internal Armed Forces Network of 120 employees.

Social procurement

At Amey we aim to build healthy and diverse supply chains by engaging with our suppliers and making Amey an easier business to partner and work with.

During 2021 we partnered with more than 4,000 suppliers across the UK, 74% of which are SMEs. This amounted to a total supply chain spend on £1.6 billion – of which £3.9 million was with social enterprises. We were pleased to have paid 97% of our supplier invoices within 60 days.

Supplier prequalification is a key part of the process in how we assess our supply chain. It's an important aspect to our approach to ensure we identify and evaluate the most capable and best suppliers in the market to work with Amey.

Case study
Ethstat Stationery

When we received the call that we had won your hamper business, we knew that you would change our lives and the lives of our supply chains and communities. Making this gift for you has been an absolute honour. Amey is an incredible organisation. We can only imagine what it takes to be successful for a century.

We were asked to create a Celebratory Hamper that reflected the best of Amey and one that honoured the best of social enterprise and meaningful procurement. Your products had to be of the highest quality; they had to give back to the communities they came from, and with an eye to the future, they had to be entirely sustainable. Some of the products were commissioned specifically for you.

Many of the manufacturers changed the way they worked as a result of this order, and each of them represents the very best in social and environmental procurement. Some of them have catapulted their business as a direct result of your support. When you contact a small SME and share that we're ordering over 13,000 products, people are blown away!

"The EthStat procurement provided 2,150 hours of employment, access to work for 53 disadvantaged individuals and over 2,000 hot meals for homeless people."

Ethstat

To help us assess suppliers to a common industry standard, we started to use Constructionline. Constructionline offer a fully hosted and vetted system which provides us with a searchable database of suppliers. It also can identify SMEs and social enterprises, which supports our Social Value agenda.

As part of our new partnership with Constructionline, we have joined their Social Value Working Group. This group supports suppliers, particularly SMEs, to gather and report on key social impact data which in turn helps them develop their own social value plans.

Supporting and promoting Social Enterprise

We are committed members of Social Enterprise UK's Buy Social Corporate Challenge which helps us support the growth of the Voluntary Community and Social Enterprise (VCSE) sector.

Amey spent £3.8m with social enterprise suppliers in 2021, progressing against a target of 5% of addressable spend spent annually with VCSEs by the end of 2023.

Throughout 2021 we partnered with Ethical Stationery (EthStat) Community Interest Company - using our spending power to deliver a range of environmental and social benefits.

Charity and volunteering partnerships

Amey's current Employee Chosen Charity is Cancer Research UK (CRUK) - the largest charitable funder of cancer research in the world. The three ways we work together are:

- **Fundraising** – with a target of £200,000 over two years.
- **Health awareness** – via CRUK's Cancer Awareness in the Workplace programme.
- **Volunteering** – opportunities to support CRUK in their stores and at their events.

As well as raising over £130,000 for CRUK in 2021, through initiatives such as Walk All over Cancer and our Centenary Challenge we held a number of virtual events for employees to raise awareness of cancer. We delivered our first face-to-face CRUK Nurse Health Stand at Staffordshire's Safety Day in early October, attended by over 200 employees.

In addition to our partnership with CRUK, our employees and supply chain partners have raised more than £320,000 for SSAFA since 2015 by taking part in numerous charitable events and fundraising activities.

We have trained 425 mentors who have supported 1,250 Service leavers, and their families, to fulfil their potential in their new lives outside the military.

Volunteering

Amey actively promotes and encourages employees to take part in local volunteering opportunities. We believe that volunteering has a positive impact on communities and encourage all employees to support their local community through our Social Impact Day programme.

Despite the restrictions and effects of Covid, 395 Amey employees volunteered in 2021.

In 2022, we are re-branding our volunteering programme to focus on the impact they have on the people and communities that benefit. Further, we aim to increase our volunteering as Covid restrictions ease and open up opportunities to volunteer.

In 2022 all employees will be entitled to take up to two volunteering days per year.

Our Electrical & Power in Rail (E&P) team supported their local Royal British Legion, based in Wednesfield, in creating a memorial garden in honour of members who lost their lives during the pandemic. They reached out to the local Amey team who, with help from our supply chain gave labour, money, materials and equipment. Over a six-day period we helped in the following ways:

- Over 700 hours of work
- £1,850 donated by our supply chain
- 6 days of equipment hire – worth around £3,500
- Over £4,500 of materials donated as benefit in kind
- 12 Amey Social Impact Days from Amey employees

Ray Giles, secretary at Wednesfield Royal British Legion, explained that the club had lost a total of 20 members, and this has hit them hard.

He said: *"Amey have been absolutely amazing with commitments to labour and materials. I am so pleased and extremely humbled by the way people and companies have rallied to support this very worthy cause."*

Environment

Driving forward our green ambitions

As an engineering company that delivers critical services across the built environment, transport infrastructure, energy and utilities management sectors, we recognise the urgency and focus needed to reduce carbon emissions. Our Roadmap to Net Zero, launched in 2021, for the first time sets out our long-term corporate commitment to be a net zero organisation by 2040.

We will not do this simply by offsetting our emissions, but by realising absolute reductions.

To achieve our targets, we are following these four principles:

REDUCE our energy consumption, becoming more efficient in delivering services

TRANSITION our energy use to low carbon alternatives, with a focus on eliminating fossil fuels from vehicles and plant

INNOVATE in the use of tools and materials in our design and operations, assessing and identifying sustainable low carbon alternatives

ENGAGE our customers, industry and suppliers, driving circular economy principles through the supply chain

This year Glasgow hosted the COP26 summit, bringing parties together to accelerate action towards the goals of the Paris Agreement and the UN Framework Convention on Climate Change. Our own commitments to support the outcomes of COP26 were:

- Signed up to the IEMA Pledge to Net Zero
- Committed to the Science-based targets initiative (SBTi) and members of the Race to Zero initiative; we are visible on their website
- Our commitment to science-based targets was approved by the SBTi in October. We are now working to submit our carbon reduction targets evidence pack, which will be validated by the SBTi providing us external assurance of our ambition and our approaches to achieve it
- Established a GHG Protocol-compliant methodology for the calculation of Scope 3 emissions within the scope of the Carbon Reduction Plan
- Created a Business Management Information page to allow users to filter and present our carbon footprint at Group, BU, Sector and Account level.

During 2022 we plan to develop a software platform which will more effectively capture, assign and calculate our Scope 3 emissions. This will allow us to gain external certification of our carbon footprint to ISO 14064-1:2018.

Aims

Achieve Scope 1 and 2 Net Zero by 2035 with a minimum of **80% ABSOLUTE REDUCTION** in our emissions

Be **FULLY NET ZERO**, including Scope 3, by 2040

Reducing our energy and transitioning to low carbon alternatives

Cutting the energy we use and the carbon we emit will mean changes in the way we travel and transport equipment, in our workplaces and working patterns. We are reducing vehicle movements by planning our works and service delivery better and rolling out monitoring technology more widely. Green driver training and awareness campaigns will cut vehicle emissions by reducing vehicle idling. We are continuing to transition our fleet and plant to low carbon fuels, such as electric and hydrogen, as the technology develops and options become available on the market.

At work, we've introduced hybrid working for all our office-based workers, meaning less need to drive to an office. We're encouraging people to use technology such as Microsoft Teams for meetings wherever possible, or to meet locally to reduce the need for travel.

We're also reducing consumption through the use of energy-efficient kit and appliances, including light-emitting diode (LED) lighting; heating and cooling systems and efficient IT equipment.

Innovation with our use of materials

Amey is a large consumer of increasingly scarce natural resources, primarily petroleum products, aggregates, water and energy. Our aim is to reduce our resource consumption and use resources efficiently by:

- Using sustainable, whole-life design solutions and sourcing local and recycled materials
- Proactively planning for sustainable management of materials, soils and waste as well
- Promoting and supporting a circular economy, by assessing and understanding the life cycle environmental impacts of our resource use.

We have continued our commitment and contribution to Business in the Community's Circular Economy Taskforce. As part of this, we have continued to contribute to the Waste to Wealth Commitment, which sets targets to improve productivity in our use of the resources that are key for our business.

Case study
Transitioning to zero carbon vehicles

On our Area 7 and Area 10 highways contracts, we are working in collaboration with the council, to trial hydrogen and electric vehicles across our light commercial fleet, the result of which has already saved 1,791 litres of diesel and reduced CO_2 emissions by over three tonnes. Over the vehicles' lease period, we expect this figure to increase to 5,625 litres and 14.6 tonnes of CO_2 emissions.

Case study
Transitioning to low carbon tools and plant

In Scotland, we've been changing the way we work by replacing twelve diesel-powered welfare units with eco-hybrid welfare units located at the M8 Woodside Viaduct. By using a hybrid solution, we reduced the amount of energy needed from the generator which ultimately cuts down on fuel and emissions. Each eco-welfare unit delivers a fuel saving of 1,443 litres and 3.7 tonnes of CO_2.

Engaging our employees in developing green initiatives

We launched an internal 'Net Zero takeover' campaign to gather employee-generated ideas for how the business could reach its net zero ambitions. In total 262 ideas were submitted from across the business.

Each idea was evaluated to decide whether it was tackling a suitable problem, what impact it would have, whether it could be scalable and how feasible it would be to implement it across the business. These ideas will move into a deliver phase during 2022. The winning ideas:

- Lewis Welch highlighted that behavioural change is essential to reducing our carbon footprint. He suggested using a set of questions created by a psychologist to map the behaviour of our employees at our sites and offices. This would allow us to set a roadmap to change, focusing on target areas of improvement.
- With the introduction of hybrid working and more people working from home, energy consumption from office buildings has gone down, but it has been transferred to people's homes. Jayne Szandrowski suggested providing energy saving incentives on our employee benefits site – cutting the cost of installing solar panels, for example. This would help offset or reduce the extra energy people are using when working from home, while also saving employees money.

As part of the campaign, we pledged to plant at least one tree for each idea that was submitted. In December we delivered on that pledge and more, planting 1,200 trees in partnership with Network Rail and the local community at a site in Finedon, Northamptonshire. The site aims to attract birds, butterflies and bees, alongside new ponds to make it the right habitat for great crested newts.

Engaging our clients in carbon neutral design

As well as reducing our own carbon emissions, we have a huge opportunity to reduce the carbon emissions of our customers and the UK at large through the services we deliver.

Our Consulting team provides expertise in carbon forecasting, footprinting and reduction strategy. They combine operational, data analytics and carbon reduction expertise that builds infrastructure resilience throughout its lifecycle. They also provide Institute of Environmental Management and Assessment (IEMA)-accredited carbon training across our value chain.

We are embedding and promoting the 'PAS 2080 Carbon Management in Infrastructure' principles throughout our management systems to make carbon accountancy business as usual. This provides the evidence base needed for decision-makers to deliver net zero infrastructure. Our data management expertise enables us to create a data-led approach to achieving sustainability objectives.

The whole of Amey benefits from the expertise of our Consulting team's in-house environment and sustainability specialists, which has grown by 13% since 2019.

In addition to our Consulting capabilities, Amey Secure Infrastructure delivers energy management services for a wide variety of public sector clients. We conduct energy and environmental surveys and create sustainability strategies to reduce energy, waste, cost and carbon associated with the maintenance of the built estate.

Case study
Designing the first carbon-neutral road improvement project

Amey Consulting has designed the UK's first carbon-neutral road improvement project – an £8 million Highways England carriageway reconstruction in Cumbria. The design recycled foam-mix on site to significantly reduce the need to import and export materials to and from the site. This erased approximately 6,000 HGV movements from the operation, saving 230 tonnes of CO_2e. It also shortened the construction programme, reducing road diversions and traffic management impacts on the local community. The recycled road surface is more porous than hot-rolled asphalt or concrete, which reduces rolling noise from vehicles. In total the project reduced carbon by up to 43% compared to traditional solutions and saved almost £3 million.

Case study
Cleaning up on plastic waste and carbon emissions

Working together with supply chain partners Zenith Hygiene and 2Pure, our new Cleaning Excellence model focuses on environmentally friendly practices and cleaning products that use renewable resources while still providing high-quality sanitisation and COVID mitigation. The new cleaning model reduces:

- **single-use plastic waste** – by moving away from small ready to use products to larger concentrates that are diluted on site and reusing and refilling plastic containers and cleaning cloths
- **the use of harmful chemicals** – protecting employees and building users while mitigating water pollution
- **water usage** – through the investment in new and innovative cleaning equipment.

We have also introduced training that focuses on a variety of activities ranging from the human and environmental safety of chemicals and products, to eco-efficiency, corporate social responsibility, health and safety, and better resource and dosing use.

The new model has been successfully rolled out across our Bradford, Barnsley, Northampton and Belfast Schools operations and our FM contract with National Highways. The impact of the Cleaning Excellence model has been to reduce plastic and waste by 97%, with zero impact on cleaning standards, sanitisation and Covid mitigation.

Our energy and carbon performance

In 2021 we made good progress on our energy and carbon performance with reductions in both our Scope 1 and Scope 2 emissions.

In 2021, our total carbon footprint was 215,181 tCO_2e under Greenhouse Gas (GHG) Protocol Scope 1 and 102 tCO_2e under GHG protocol Scope 2 (2020: 229,903 tCO_2e and 85 tCO_2e respectively).

We achieved a 6.4% reduction in our Scope 1 & 2 carbon emissions.

Our Scope 3 emissions from business travel in employee-owned vehicles was 154 tCO_2e (2020: 112 tCO_2e).

We consumed 249 GWh of energy in 2020 (2020: 276 GWh), representing a 9.9% reduction, from the sources detailed in the table below:

	2021		2020	
Energy Source	**MWh**	**% of Total Consumption**	**MWh**	**% of Total Consumption**
EfW Parasitic Consumption	28,141	11%	26,303	10%
Electricity	55,852	22%	28,003	10%
Gas	2,058	1%	2,258	1%
Diesel	110,414	44%	159,320	58%
Unleaded	11,795	5%	13,752	5%
Red Diesel	38,999	16%	44,385	16%
Kerosene	193	<1%	410	<1%
Bottled LPG	571	<1%	741	<1%
Business travel in employee-owned vehicles	607	<1%	454	<1%
Total	**248,630**	**100%**	**275,626**	**100%**

Our energy intensity is annual energy consumed per annual turnover, in 2021 this was: 0.1 GWh/£m turnover (2020: 0.118 GWh/£m), resulting in 0.2 GWh/£m reduction in energy intensity as against our 2020 performance.

Methodology: Carbon emissions are calculated in accordance with the GHG Protocol – Corporate Standard (version 3.51) and the Waste Sector, built on the 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.

Key Performance Indicators

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.

Financial

- Revenue
- Gross profit
- Operating profit
- Operating cash flows

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 £15.9 million inflow (2020: £57.9 million inflow). The reduction in cash inflow has resulted from various movements as detailed in the cash flow statement and in note 28 but was primarily attributable to strategic working capital decisions and utilisation of contract loss provisions.

Non-financial

- Reduction in Lost Time Injuries
- Demonstrate the importance to the Group of minimising health and safety accidents
- Recruitment of people
- Encouraging community involvement

These KPIs are discussed in the Strategic Report.

The Group's cash inflow from operating activities was

£15.9m

Companies Act Section 172 Statement

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 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 2021.

While the Board has overall responsibility for managing relationships with our stakeholders, it delegates some of the practical responsibilities for engaging with stakeholders to the Executive Committee.

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	The Board monitors the Strategic Plan adopted in January 2020 using financial and non-financial Key Performance Indicators. The strategic plan 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 to 2024 and beyond. Other activities included: ▪ The review and approval of key bids ▪ Agreeing the 2021 budget ▪ Reviewing the impact and recovery of the Cyber Incident and ensuring learnings are implemented across the business ▪ Overseeing the initial stages of the divestment of Amey from Grupo Ferrovial ▪ Agreed a more robust approach to risk management More information can be found in the: ▪ CEO's Foreword, pages 10 - 17
The interests of the Company's employees	The Board recognises the value of an ongoing focus on creating an engaged workforce to support our long-term growth. They are committed to creating a diverse workforce, keeping our people engaged and safe and to nurturing a culture of wellbeing. Feedback from employee surveys (our pulse surveys and inclusion survey) in addition to feedback from surveys carried out by Investors in People influence the Board's decisions in relation to our people. The Gender and Ethnicity Pay Gap Reports influence decisions on attraction and diversity initiatives across Amey. Bi-monthly reports from the Health and Safety Committee ensure that best practice is shared across the business to keep reducing accidents in the workplace. More information can be found in the following sections ▪ People, pages 36 - 45
The need to foster business relationships with suppliers, clients and others	The Board receives updates on relationships with supply chain and strategic partners from the Social Value Committee and the Operational and Financial reviews as well as from routine business updates and presentations. The Board and Executive Committee met several key clients during the year and undertook reviews of significant contracts. The Executive Committee had regular meetings and dialogue with the Crown representative, including an annual supplier assessment. More information can be found in the following sections: ▪ Communities, pages 46 - 53 ▪ Stakeholder Engagement, pages 78 - 79
The impact of the Company's operations on the community and the environment	The Board recognises the urgency and focus needed to reduce carbon emissions. As well as focusing on reducing our carbon emissions by approving our long-term corporate commitment to be a net zero organisation by 2040, the Board has focused on reducing our resource consumption and investing in the opportunity to reduce the carbon emissions of our customers and the UK at large through the services we deliver. The Board believes in creating a sustainable future for the communities we operate in and has supported the implementation of Social Value measurement tools to measure and report our social impact. The Executive Committee set our Opportunity Action Plan in partnership with the Social Mobility Pledge (SMP) and the former Education Secretary, Rt Hon Justine Greening, to support mobility in some of the most disadvantaged areas. More information can be found in the following sections: ▪ Communities, pages 46 - 53 ▪ Environment, pages 54 - 59
The desirability of the Company maintaining a reputation for high standards of business conduct	The Board is committed to ensuring we consistently uphold the highest standards of conduct and ethics in how we work and the way we operate. In doing so, this year, the Board reviewed and agreed a revised Modern Slavery Statement, including more detailed initiatives to raise awareness with our own employees and engage with our supply chain partners to raise awareness of Modern Slavery, and to support their efforts in the battle against it. The Board reviewed updated ethical training modules to be launched across the business in 2022. During the year the Board conducted reviews of whistleblowing reports and allegations of unethical behaviour.

Risk and Assurance

During 2021, we introduced a new Risk and Assurance Strategy that is driving forward an all-Amey culture of responsibility for risk.

This has resulted in a reduction of the frequency of risk events and overall impacts due to a more mature approach to risk management.

We developed an integrated framework of risk management and governance to support our day-to-day operations. This allows for:

- **Better identification and clear articulation of strategic, corporate and operational risk**
- **Proactive internal audit review processes facilitating effective risk management and mitigation.**

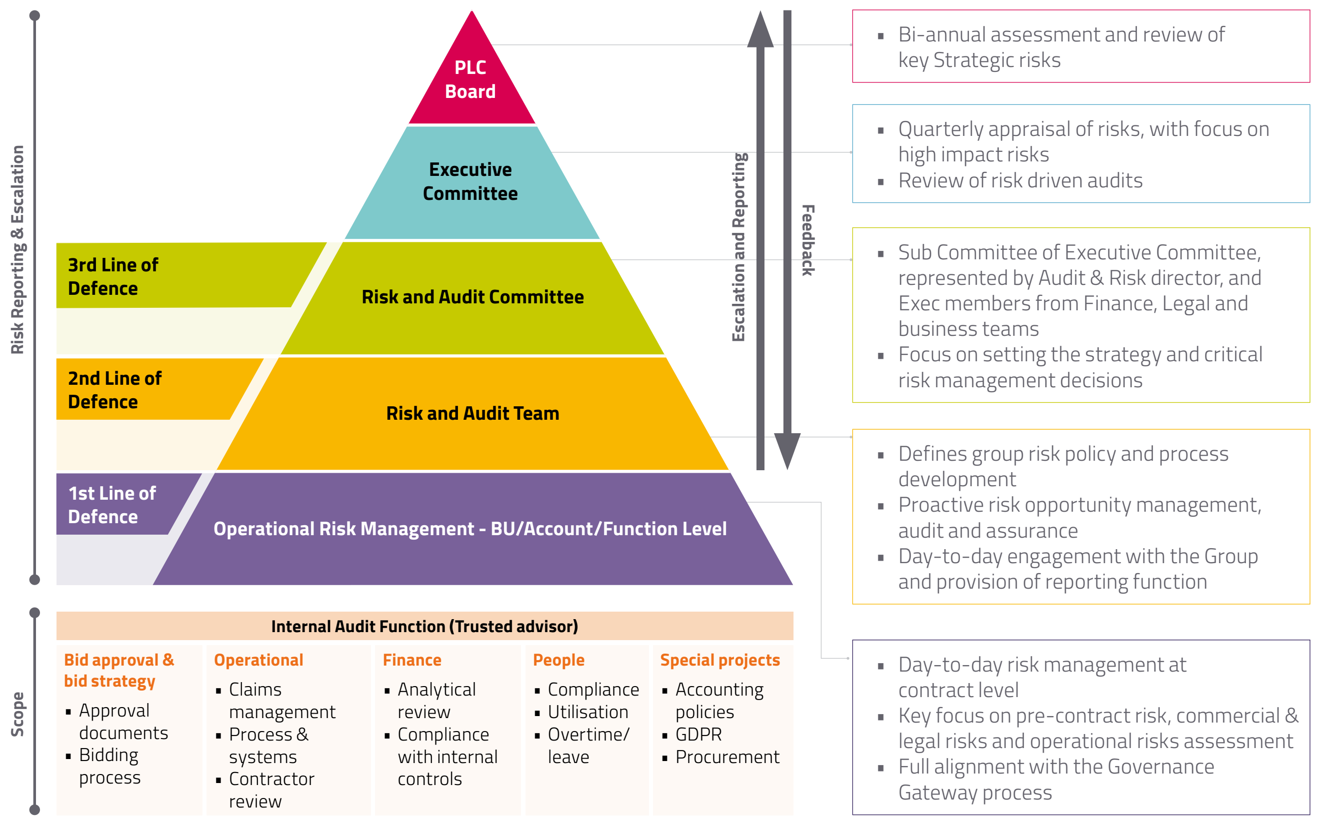
Risk management is not a standalone activity; it is integrated into existing business processes. Our risk management process is aligned with ISO 31000:2018, a seven-stage process from identification to eventual treatment and monitoring.

This was embedded by ensuring that all of our management teams participated in a bespoke risk management training course. Furthermore, the contract teams conducted a risk management maturity assessment with detailed feedback and objectives with actions to enhance maturity. A strong communications and engagement campaign by the risk management team ensured that the process was embedded, and a companywide risk interest group was formed to review and apply best practice.

Integrated Risk Management and Audit Framework

Effective risk management is achieved by continuously, systematically and proportionally addressing the risks surrounding our business activities. This is the responsibility of all employees, with specific risk responsibilities allocated to different specialist groups at each of the three levels of our risk management defence.

The three lines of defence represents our Amey-wide governance process comprising a range of risk management activities, internal controls and reporting to ensure risk management oversight and assurance at all levels of the Group. It provides governance at every level of our operations.



Lines of Defence

1st Line of Defence – Operational Risk Management

Operational managers hold clear responsibility for risk at contract level and provide day-to-day management of risk. They focus on pre-contract, commercial and legal risks as well as operational risk assessment, and are fully aligned with the Risk and Audit Team and Committee.

2nd Line of Defence – Risk and Audit Team

The team provides proactive Risk and Assurance management. They define risk and assurance policy and process. They are also a point of contact on risk matters for the Amey Group.

3rd Line of Defence – Risk and Audit Committee

The Risk and Assurance Committee defines the Amey Enterprise Risk Management strategy and risk appetite and advises the Amey Executive Committee on the most effective methodology for the management of strategic and corporate risks. It also plays a pivotal role in facilitating effective governance supported by proactive engagement at all levels and across the Three Lines of Defence.

Quarterly principal risk reviews and approval are managed by the Amey Risk and Assurance Committee and subsequently reported to the Amey Executive Committee with individual feedback and instruction given to the principal risk owners.

All risks are individually assessed for likelihood and impact at current and target level to ensure that effective mitigation actions are in place. All risks have assigned Risk Owners who are accountable for ensuring that the active mitigation plans being delivered are sufficient to reduce the impact and likelihood of Amey's principal risks. Amey uses Active Risk Manager (ARM) specialist software to assess, record, manage and track risk trends.

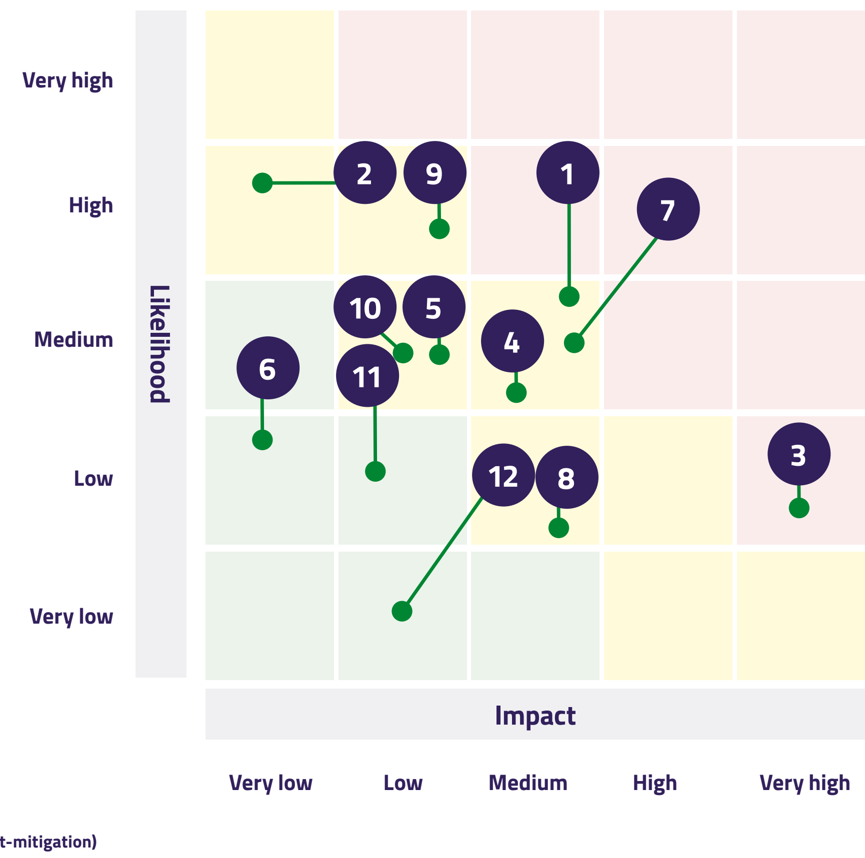
Throughout 2021, the principal risks were managed and monitored by the respective risk owners which resulted in all risks being managed within our risk appetite.

Principal risks

The primary objective of our 2021 Risk and Assurance strategy was to improve our risk management culture. To do this, we developed a bespoke risk training programme, a transparent environment for identification, evaluation and mitigation of risk at all levels, and a culture of continuous improvement.

We have carried out risk-driven audits across Amey, encouraging accountable behaviours. We have also continued developing the internal controls (financial and non-financial) that support delivery of our objectives.

The following chart sets out our principal risks and our appetite with respect to each such risk:



1 Health and safety	Unsafe/unlawful operating practice which could lead to injury, fine, prosecution and reputational damage. Any breach in legislation or regulation could have consequences to securing future work.
2 Cash and credit	Inability to maintain adequate funding and liquidity profile and the failure to meet financial covenants tests as set out in the debt facilities' agreements.
3 Pensions	Corporate and commercial transactions that may impact the strength of the employer covenant.
4 Supply chain management	Failure on the part of Amey or the third party to manage and meet contractual requirements.
5 Business continuity planning	Failure of Amey's business continuity plans or contingency measures.
6 Future work pipeline/order book	Failure due to market conditions to fulfil Amey's growth strategy and secure a sufficient order book.
7 Cyber threat	Loss of critical systems or data unavailability leading to failures in Amey's business operations.
8 Data protection	A significant data breach that leads to the loss of personal information.
9 Contract management	Failure to effectively manage operating contracts and satisfy required contract deliverables to time/cost/quality.
10 Insurance	Inability to obtain insurance due to claims history and shift in global insurance markets.
11 Recruitment and retention	Inability to recruit and retain key employees, skills and expertise necessary for fulfil Amey's obligations and support core processes.
12 Climate change	Failure to meet Amey's obligations in carbon reduction in support of our clients' (and the nation's) accelerating decarbonisation agenda.

Principal Risks and Uncertainties

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

Health and safety

Amey operates in a number of complex, high-risk environments such as rail networks, 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 central to how we 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 in the People section of this Strategic Report.

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.

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.

Supply Chain Management

2021 saw global supply chains challenged by extreme weather, logistic challenges and the ongoing impact of Covid-19 around the world. Procurement was able to minimise the disruption to our day-to-day operations by the focus on risk management in previous years which enabled actions to be quickly implemented to mitigate these disruptions. Risk management and mitigation is at the heart of our Procurement team and is now fully managed from the bid phase through to contract closure. Amey recognises the importance of the relationship with our suppliers in delivering successful outcomes on our contracts and it is this collaboration which contributed to the mitigation of the many challenges experienced in 2021. We were able to:

- Prioritise deliveries from our suppliers by optimising delivery schedules to enable suppliers to manage their scarce resources,
- Work with core suppliers to identify alternate sources by reviewing specifications,
- Implement processes with suppliers to mitigate the impact of Brexit.

Our strategy of working closely with SMEs has been important in managing the risks within the supply chain as it protected Amey from many of the global risks. Uncertainty in the supply chain caused financial pressures for our suppliers and we continued to support them by ensuring prompt payment of invoices, achieving 87% paid in less than 30 days.

Additional procurement resource has been brought into Amey to optimise our operational processes and to improve the management of critical areas of spend. We have established a Procurement Steering Group internally to better identify risks and to co-ordinate an operational response. Within our contracts, Procurement supports internal audit review processes facilitating effective risk management and mitigation.

Business Continuity Planning

Risks threatening the continuity of business operations or a widespread impact on client services are considered as part of a centrally driven business continuity planning initiative. This process reviews Amey's contingency planning on a regular basis to ensure that risks such as the failure of information systems, public health emergency, loss of key infrastructure, reduced access to operational hubs or the need to run on manual processes for an extended period for other scenarios are considered and planned for.

Future work pipeline/ orderbook

The Group seeks to manage the risk of losing expiring contracts through the provision of added value services, improving the quality of services provided and maintaining strong relationships with key customers. Key Account Management (KAM) is being introduced along with

The threat of cyber-attack and the risks associated with it, including data loss, financial impact, extended systems downtime and reputational damage continues to grow, not just for Amey, but for all organisations.

the MS Dynamics CRM system to ensure effective management of client knowledge for both work winning and contracts.

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, including Business Development. 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 2021 the Group embedded and utilised the 'Governance Gateway' IT platform to ensure that all bids are given proper scrutiny and appropriate approvals are obtained at every stage of the bidding process.

Cyber Threat

The threat of cyber-attack and the risks associated with it, including data loss, financial impact, extended systems downtime and reputational damage continues to grow, not just for Amey, but for all organisations. Threat actors have refined their tradecraft and become increasingly sophisticated in their approach, resulting in a number of high-profile breaches across government and the private sector in the past year. State-sponsored hacktivism is causing collateral damage to UK businesses.

Whilst there are many potential vectors of attack over the past year, enterprise risk has coalesced around three primary areas:

- **Business email compromise**
- **Ransomware**
- **Supply chain compromise**

Amey continues to invest in improved cyber protection technology, threat monitoring services, process development and user awareness training to mitigate these risks.

However the challenge grows every year as the threat actors adapt and respond, using increasingly sophisticated techniques and tools.

Data Protection

We continue to focus on the effective management and protection of information, with particular emphasis on regulated data. This is driving significant changes and improvements to policies and processes as well as technology controls for protecting against, monitoring for, and reacting to these types of attacks.

It is also worth noting that Brexit, and proposed changes to the UK's Data Protection legislation, have left some uncertainty as to the future regulatory obligations that will be placed on organisations.

Contract Management

The Group continues to respond 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 have been rolled out across the Group, including an enhanced, bespoke risk management framework and system solution and refreshed contract management to ensure demonstrable contractual compliance.

A number of contract management tools and systems have been rolled out across our sectors depending on our customers' requirements. For example, the contract management teams in our rail contracts have been upskilled in the use of CEMAR, a tool that has been adopted to enable top level compliance with our obligations. We have rolled out our Business Essentials programme which enables a more effective operating model by strengthening the links between our operations, commercial and finance teams. Within our facilities management sector we have rolled out a system upgrade programme (Concept) to bring consistency, efficiencies in process and enable our contract management teams through technology. Our Consulting teams have worked with external law firms to develop contract management training modules and integrated these into improved new employee inductions to ensure all new and existing employees receive consistent training to support our ways of working.

Insurance

There is a risk of the inability to obtain professional indemnity insurance products with adequate cover that satisfy all of Amey's contractual obligations, due to unavailability in the insurance market. Claims history and shift in global insurance markets could also impact the availability of other insurances. Amey has an insurance team and strategic relationships with insurance brokers to manage and mitigate this risk.

Recruitment and Retention

There is a real drive within Amey to become a modern and progressive workplace that will attract and retain employees by providing industry-leading pay and benefits, improving levels of engagement. We have maintained our firm commitment to matching the Real Living Wage (RLW) and we are also implementing the RLW increase of 4.21% across the standard Amey salary review budget for 2022. All roles in Amey are matched against our Career Path Framework, which is tied to a comprehensive external salary and benefits benchmarking tool. This ensures we know at all times how competitive we are in an increasingly challenging labour market and we can act proactively where required.

Since the pandemic, we have implemented a number of other initiatives including enhancements to maternity, and sick pay, death in service benefits as well as holiday entitlement. We have broadened our flexible / hybrid working to allow a paid 'personal day' for all employees on fixed working patterns and we have increased the number of paid social impact days to two. Additional wellbeing initiatives introduced include introducing access to a virtual GP and menopause support services plus management training in mental health awareness.

With labour turnover starting to increase, we have implemented a number of initiatives to strengthen our resourcing activities starting with a detailed forward demand planning approach that has allowed a more pro-active approach to fulfilling Business Unit resource requirements. Multi-vacancy approvals and continuous recruitment for frequent and harder to fill roles is producing candidate pools that allow roles to be filled more quickly. Our 'refer a friend' bounty has been increased, resulting a number of external hires.

To optimise the recruitment process, a tender process is underway for a new applicant tracking tool that will allow much greater use of social media as well as improved applicant data metrics allowing us to better focus our activities on more diverse candidate pools. Finally, we plan a significant scale-up of early careers roles providing a shift towards developing our own. Over the next two years we will increase from circa 400 on apprentice, graduate or degree apprenticeship schemes to over 800.

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 to support sustainable growth, create quality employment and accelerate decarbonisation of the economy.

In 2021 we deployed the Task Force for Climate-Related Financial Disclosures framework for assessment which focuses on our governance, strategy, risk management, measurements and targets for our climate related risks and opportunities.

Russia-Ukraine War

Amey is well insulated from the effects of the war in Ukraine due to the nature of its contracts. This is mainly as a result of relying predominantly on a mature UK based supply chain that delivers services in the UK only. Naturally, the company is impacted by the macro-economic effects of the war however there is a low overall exposure.

Energy and cost of living increase

The short-medium term impacts of the rising energy costs are being mitigated through our contractual management processes.

Within some of our contracts we manage energy consumption where we collaboratively set targets and measure against actual consumption on an annual basis. We are responding to the commitment to achieve Net Zero by working with our customers to find more sustainable solutions through our 'Bolder Steps Together' strategy. Amey is investing in developing a culture of environmental knowledge and awareness, recognising that action is required across all our operations and enabling functions.

Amey is conscious of the increase in the cost of living for its employees and our industry leading approach to pay and benefits helps to support our people through times of uncertainty.

Sale of the Group

Amey is in the process of being sold but continues to operate very much on a 'business as usual' basis.

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.

Strategic Report Approval

The Strategic Report of pages 8 to 71 contains the strategic review of the business for 2021. This Report was approved and authorised for issue by the Board of Directors on 31 October 2022. Signed on behalf of the Board by:

Amanda Fisher

Amanda Fisher
Chief Executive Officer, Amey
31 October 2022

Governance

Corporate Governance Overview

Corporate Governance Overview

The Amey UK plc Board's objective is to maintain and build upon a sustainable business.

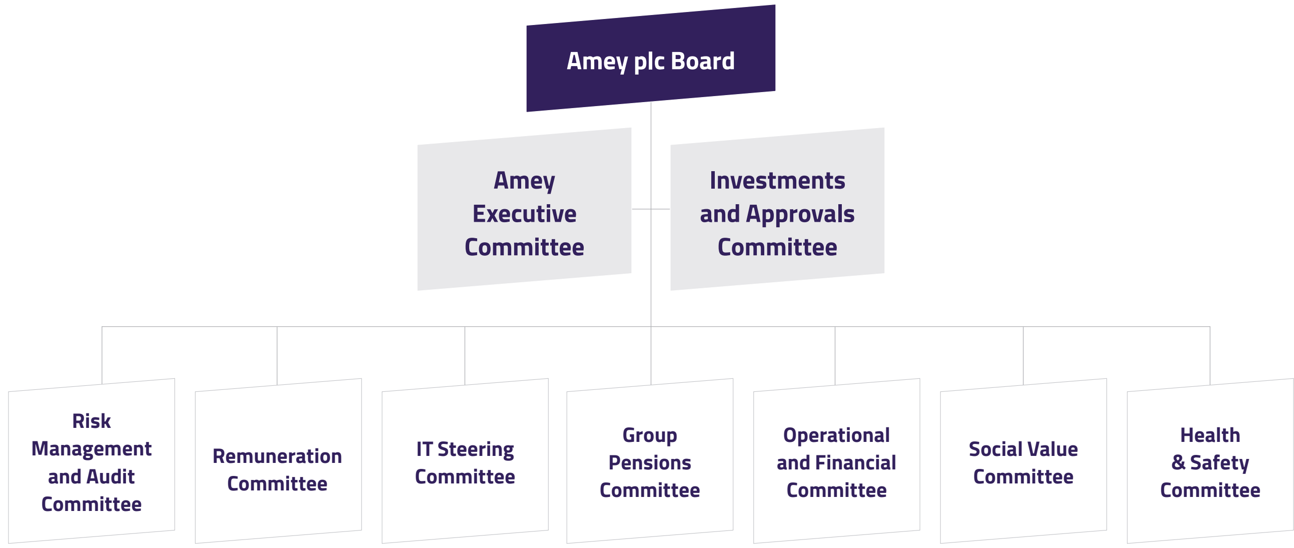
In doing so, it strives for mutual respect, openness and fairness between all key stakeholders. The people who work for Amey are its most valuable asset and are fundamental to the success of the business and its growing culture to empower, engage and excel.

The Directors have opted to apply 'The Wates Corporate Governance Principles for Large Private Companies' for the year ended 31 December 2021. These principles, endorsed by the Financial Reporting Council ('FRC'), provide a code of corporate governance for large private companies, to raise awareness of good practice and, over time, to improve standards of corporate governance.

The Directors acknowledge that the Group operates in a complex and changing business environment with many areas of judgement. 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 Group's bidding process, contract management, cost control and estimation of margins, risks, provisions and claims. The Directors consider that this has had a beneficial impact on the overall risk status of the Group but will continue to refine and update the processes to improve further on the work done to date.

Structure of reporting lines to the Board

A summary of the Board's governance framework, together with those individuals who lead the support provided to the Board committees, are as follows:



Commitee	Chair	Description
Executive Committee	Chief Executive Officer	The Executive Committee oversees the implementation of the strategy and its operations including consideration of business performance, risk, health and safety and People matters.
Investments and Approvals Committee	Chief Executive Officer	The Investment & Approvals Committee is established as a sub-committee of the Amey plc Board to review all approval requests in accordance with the Authorities Schedule. Such approvals matters include key bids, significant capital expenditure or finance related transactions.
Health & Safety Strategic Committee	Group HSE and Wellbeing Director	To monitor, assess and seek to prevent Health & 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.
IT Steering Committee	Chief Finance Officer	The IT Steering Committee is accountable to the Amey Executive Committee for the investment in IT made by the company.
Remuneration Committee	Chief People Officer	The Remuneration Committee define and implement policies and procedure relating to arrangements for compensation and benefits for all Amey employees including the Executive Team and Amey Board Directors.
Group Pensions Committee	Chief Finance Officer	Responsible for determining policy on all pension related issues affecting the Amey Group and reviewing the performance and management of Amey Group sponsored pension schemes. Recommendations on key pension decisions are made to the Board for approval.
Risk Management and Audit Committee	Audit and Assurance Director	The committee undertake quarterly appraisals of strategic and corporate risks/opportunities as well as low probability and high impact risks including key mitigation actions.
Operational and Financial Reviews	Chief Executive Officer and Chief Financial Officer	The Operational and Financial Reviews report on the business units performance, top risks along with mitigations, financial performance, innovation, bids and future market positions.
Social Value Committee	Director of Social Impact	Drive social value and responsible business, ensuring that Amey conducts its business to achieve maximum positive impact on the communities, people and the environment in which it works.

Board Leadership

The Directors of the Company at the date of this report were as follows:

Ian Tyler
Non-executive Director and Chairman

Ian joined Amey in 2018 bringing a wealth of experience and knowledge across our key sectors. Previously at Balfour Beatty for 17 years where he was most recently 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), Independent Non-Executive Director 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
Amey CEO

Amanda Fisher was appointed CEO of Amey in December 2019, prior to which she was Managing Director of Facilities Management, Defence and Justice, 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.

Andrew Nelson
Amey Chief Financial Officer

Andrew 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.

Elena Fernandez Rodriguez
General Counsel, Ferrovial Servicios

Elena joined Ferrovial in 1998. She has held several positions as General Counsel and Legal Director in different countries in Americas and some European countries, where she played a key role in several acquisitions and divestments. Appointed to the Amey board in 2021, she has worked with Amey in the past for different transactions.

Gonzalo Nieto Mier
Ferrovial Servicios Transformation Director

Gonzalo 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 ten different countries and first worked with Amey in 2005.

Alejandro Veramendi
Ferrovial Head of Financing Department

Alejandro Veramendi has a Bachelor's Degree in Economics (Speciality: Quantitative Economy) from the Autonoma University of Madrid, as well as a Master in Futures and Options from the IEB. Alejandro joined Ferrovial in 1998 and held several Treasury positions before being appointed Project Finance Director with responsibility for the financing of all Cintra projects in North America. In 2013 he was appointed Head of the Financing Department of Ferrovial. In 2020 he was assigned a lead role in the main disposal processes within Ferrovial including Broadspectrum, the Ferrovial Services Environmental Division and the Ferrovial Services Infrastructure Division disposals.

The Company Secretary, who attends Board meetings of the Company, was:

Jayne Bowie
Amey General Counsel

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

In addition to the Directors above, the following served as Directors during the year: Alfredo García, Fidel López Soria, Fernando González de Canales (all resigned 24 November 2021) and Javier Galindo (appointed 24 November 2021 and resigned 20 June 2022).

Stakeholder Engagement

The Board recognises the need to maintain effective communication with the Company's key stakeholders, in order to be able to deliver on its strategy and to enhance its reputation.

As has been set out in the strategic report, there are many ways in which we engage with our key stakeholders.

The Board and Executive Committee have a robust programme of stakeholder engagement, aimed at identifying and understanding the interests our customers, people, supply chain, communities and governments so that the interests of these key stakeholders can be taken into consideration when decisions need to be taken.

	Why are they important	Our priorities	Engagement examples	Outcomes
Shareholder	Providing sustained support to and investment for the Group	▪ To deliver the strategy ▪ Generate shareholder returns on investment	▪ Shareholder representation on the Board ▪ Regular financial, commercial, operational and work winning updates	▪ To deliver the strategy ▪ Generate shareholder returns on investment
Our people	Developing our people and supporting them in gaining the skills they need to succeed	▪ Develop and engage people within our workplaces ▪ Create inclusive workplaces and diverse workforces ▪ Achieve zero harm and promote healthy lifestyles for all	▪ All company CEO calls ▪ Executive Committee involvement in activities during National Inclusion Week, International Women's Week and Black History Month ▪ Annual a*stars Awards hosted by the Executive Committee ▪ Regular programmes to promote health and safety in the workplace	▪ Our inclusion strategy has resulted in two industry-recognised awards ▪ 93% of respondents in our Inclusion survey described a feeling of belonging in Amey ▪ On average across the Group, 97% of our daily operations were delivered incident free and our reportable injuries reduced by nearly a third
Our clients	Collaborative and long-term mutually beneficial relationships with our clients are the foundation of our success	▪ Be a Trusted Partner with a reputation to deliver	▪ Regular client engagement between Executive Committee and operational levels ▪ Development of key customer account plans	▪ Contract renewals and new business wins as highlighted in Consulting, Transport Infrastructure and Secure Infrastructure sections
Our strategic partners and supply chain	Building healthy and diverse supply chains by engaging with our suppliers and making Amey an easier business to work with	▪ Increased spending with SMEs and VCSEs ▪ Paying suppliers promptly ▪ Ending modern slavery	▪ Utilising Constructionline to search for SMEs / VCSEs in our procurement ▪ Members of the Constructionline Social Value Working Group supporting SMEs on their social value reporting ▪ Reviewed and updated our Slavery and Human Trafficking Statement	▪ We paid 97% of our invoices within 60 days ▪ We supported more than 4,000 suppliers across the UK, 74% of which are SMEs ▪ We spent £1.6 billion with our supply chain, £1.1 billion of which was spent with SMEs ▪ £3.9 million spent with social enterprises in 2021 ▪ Achieved a 94% score on the Government's Modern Slavery Assessment Tool
Communities	Delivering positive and lasting change to communities, built on a foundation of trust	▪ Involve, listen and connect with our local communities ▪ Give back to our communities to make a difference that lasts ▪ Open doors, educate and improve the skills of people in our communities	▪ Launched our Opportunity Action Plan in partnership with the Social Mobility Pledge ▪ Provided virtual learning experiences in partnership with Speakers for Schools ▪ Published our Roadmap to Net Zero ▪ Signed up to the Science-based targets initiative (SBTi) ▪ A continuous programme to raise funds for our corporate charity	▪ 130,000 raised by our employees for CRUK ▪ Provided permanent employment opportunities for individuals on the Kickstart programme ▪ Achieved a 6.4% reduction in our Scope 1 & 2 carbon emissions
Government	Government set the policy in the environment in which we operate. Additionally, Government departments are our largest customers	▪ Build on existing relationships with the Cabinet Office ▪ Broaden out our relationships with sector specific government departments ▪ Build relationship with local government sector ▪ Input into policy development forums	▪ Weekly cabinet office meetings with our Crown representative ▪ Bi-weekly update provided to the Cabinet Office ▪ Increasing involvement in round table policy discussions ▪ Working with DWP in partnership on skills and training activities	▪ Positioning ourselves as Trusted Partners to Government ▪ Improved Cabinet Office feedback
Pensions Trustees	The trustees of the Group's pension schemes are responsible for ensuring that the schemes are run properly and that members' benefits are secure	▪ To uphold robust governance and compliance principles and protocols ▪ To maintain the strength of the employer covenant and fulfil funding commitments ▪ To maintain clear and open communication channels	▪ Regular meetings between the Group's in-house pensions team and trustees ▪ De-risking and liquidity initiatives proposed and accepted to improve members' security ▪ Trustee Letters of Agreement executed to record that the sale of Amey would not be materially detrimental to the schemes' employer covenant	▪ Assurance of management of risk in accordance with internal controls procedures ▪ Financial considerations are explained fully in note 23 to the accounts
Banks, lenders and insurers	As providers of banking, debt and other financial support to the group	▪ Generating cash from operations ▪ Strengthening the balance sheet ▪ Meeting covenant obligations	▪ Effective cash forecasting and working capital management ▪ Regular updates to financial partners ▪ Reporting on covenant obligations	▪ Ensuring working capital commitments can be met so that the Group can continue to operate on a Going Concern basis ▪ Compliance with terms of the Group's financing agreements to ensure ongoing financial support

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 2021. 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.

Information incorporated by reference

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. The following information is provided in other appropriate sections of this Annual Report and the financial statements and is incorporated into this Directors' Report by reference:

Information	Reported in	Pages
Corporate governance	Corporate Governance Overview	74 - 75
Directors	Board Leadership	76 - 77
Employee engagement	People Stakeholder Engagement	36 - 45 78 - 79
Engagement with suppliers, customers and other	Stakeholder Engagement	78 - 79
Greenhouse gases	Environment	54 - 59
Important events since the end of the financial year	CEO's Foreward	10 - 17
Likely future developments	CEO's Foreward	10 - 17

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

Results and Dividends

The Directors have assessed the progress and status of the sale processes undertaken in 2021 for the Cash Generating Units (CGUs) which were held for sale at 31 December 2020. 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 now met or not met for certain contracts, assets and liabilities of those perimeters:

- In the Waste Treatment CGU, in conjunction with Ferrovial, the Group has now re-assessed the strategy to follow going forward. Ferrovial have confirmed that in the event of a disposal of the Amey Group by Ferrovial, then the Waste Treatment Group will not form part of that divestment and accordingly Ferrovial have confirmed that they will be acquiring that CGU from the Amey Group.
- In the Utilities CGU, the sale process has progressed for the Water business and has now completed. Following negotiations, certain assets and liabilities are now retained resulting in a modified perimeter.

Based on the above, the only relevant segments which are held for sale at 31 December 2021 are the Waste Treatment and Utilities Water CGUs. The change in classification as asset/ liabilities held for sale is effective 31 March 2021 for the Waste Treatment CGU and is effective 31 December 2021 for the modified perimeter for 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 98 and shows a profit after tax for the year on continuing operations amounting to £61.3 million (2020 re-presented: £17.3 million loss) on Group revenue on continuing operations of £2.33 billion (2020 re-presented: £2.07 billion). The loss after tax on discontinued operations for the year was £103.7 million (2020 re-presented: £85.6 million).

The overall gross profit and operating profit on continuing operations before exceptional items were respectively £159.6 million and £83.1 million (2020 re-presented: £92.4 million gross profit and £14.2 million) representing a margin of 6.9% and 3.6% respectively (2020 re-presented: 4.5% and 0.7%). Administrative expenses on continuing operations were £83.2 million (2020 re-presented: £83.6 million).

The operating profit on continuing operations is stated after charging all operating costs and before net finance expense and tax. The operating profit on continuing operations after exceptional items was £86.2 million (2020 re-presented: £5.4 million loss). Net operating exceptional credits on continuing items arising in 2021 totalled £3.1 million (2020 re-presented: £19.6 million exceptional charge) full details of which can be found in note 4 to the Group financial statements.

£61.3m

profit after tax for the year on continuing operations

Net finance expense on continuing operations was £4.3 million (2020 re-presented: £5.2 million). The Group's share of profit after tax of joint ventures on continuing operations was £6.8 million (2020 re-presented: £5.4 million).

Group operating cash flows from all activities were £15.9 million inflow (2020: £57.9 million inflow). The 2021 outflow included payments of £10.0 million (2020: £10.0 million) as part of the cost to exit from the Birmingham City Council Highways PFI contract previously provided for.

Equity shareholder funds at 31 December 2021 stood at £159.8 million (2020: £82.8 million). Shareholder funds benefitted considerably from actuarial gains arising in the year of £110.9 million on the Group's defined benefit pension scheme (2020: £55.5 million actuarial loss).

No interim dividend was paid during the current or preceding year. The Directors do not recommend the payment of a final dividend. Dividends of £0.3 million (2020: £nil) were paid by a subsidiary company to a non-controlling shareholder as part of the arrangements for the acquisition of that non-controlling shareholding by the Group.

Post balance sheet events

Completed divestments

Since 31 December 2021, the Group has completed the divestment of its investments in Amey Ventures Management Services Limited (since renamed Albany Ventures Management Services) in March 2022 and the Utilities CGU through the sale of Amey Utility Services Limited (since renamed Avove Limited) in April 2022. The total expected proceeds from these divestments amounts to £21 million, of which £18 million is being held as deferred consideration. These divestments give rise to an estimated gain on disposal of £5 million.

Change in ultimate parent undertaking

On 11 October 2022, the Group's ultimate parent undertaking, Ferrovial, S.A., announced that it had reached agreement to sell the whole of the share capital of Amey UK plc and the other equity instruments held by Ferrovial as issued by Amey UK plc and its subsidiary undertaking, Amey plc to a company controlled by One Equity Partners and Buckthorn Partners. The sale of the Group is conditional on the completion of the transfer of the Waste Treatment CGU to Ferrovial, as this CGU does not form part of the Group's ongoing business that One Equity Partners and Buckthorn Partners have agreed to purchase and the approval by the Secretary of State for BEIS, as the transaction is subject to the National

Security and Investment Act 2021. It is expected that the sale will be completed prior to 31 December 2022. Any change of ownership has no impact on the financial statements of the Group for the year ended 31 December 2021 and is also not expected to have any impact on the Group's operations and activities following completion of the sale.

The transaction represents an enterprise value of £400 million and an estimated equity value of approximately £245 million. The final consideration to be paid upon completion of the transaction will be adjusted by reference to the net debt and working capital figures resulting from a balance sheet prepared as of that date. The net consideration will be in the form of cash of £109 million and a vendor loan note of £136 million repayable over the next 5 years with an interest of 6% per annum, increasing to 8% after the third year. As part of the transaction, the Group consulted with the pension scheme trustees concerning the sale, who, upon advice, were content to execute a letter of agreement recording that the trustees do not consider the transaction (including the terms of the vendor loan note subordinated in favour of the pension schemes) will be materially detrimental to the ongoing employer covenant or the likelihood of accrued scheme benefits being received by members.

Going Concern

The Group is financed through a mixture of shareholder equity, other equity instruments issued to Ferrovial companies, intercompany debt from Ferrovial companies, 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 Directors have also considered the implications of the recently announced sale of the Group to One Equity Partners and Buckthorn Partners. This decision does not impact the Group's day-to-day operations and given that the Group does not rely on Ferrovial contractual guarantees there are no implications to the ongoing trading operations of the Group after completion of any sale. The impact on our financing arising from a change of control is considered below.

The Group's key external banking facilities are bilateral facility agreements of £38 million with each of HSBC and Santander and £44 million with Royal Bank of Canada. These agreements total £120 million and mature on the earlier of July 2023 or on the date of completion of the proposed sale of the Group. At 31 December 2021, all of the facilities in place at that time were undrawn and the Group also held £46.9 million of unrestricted cash on the Group balance sheet.

In October 2022, the Group received commitments from three lenders, HSBC, Natwest Group and ABN Amro, to enter into a four-year syndicated revolving credit facility. The facility is sized at £125 million and will be used to support the Group's future bonding and working capital requirements once the sale of the Group has been completed.

Notwithstanding this continuity of financing, the Directors of the Group have reviewed several factors including:

- the future business plans of the Group (including the current year results up to the date of these accounts, the current forecast for 2022 and the strategic plan for 2023 to 2026);
- the obligation, on completion of the sale of the Group, to pay in full to Birmingham Highways Limited the outstanding £35 million liability;
- servicing additional debt post-completion of the sale of the Group;
- the availability of core and ancillary financing facilities;
- the compliance with the post completion related net debt/ EBITDA banking covenant which must remain under 1.5x;
- 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 2022; and
  - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case

The RWC forecast looks at the following key sensitivities:

- £14 million net cash outflows due to unwind of working capital on contracts ending and other agreements in 2022 and 2023;
- the liquidity impact of lower-than-expected future revenue growth in each business stream through a lower bid win ratio; and
- consideration of a slowing down of working capital flows, in particular a market-wide increase in days sales outstanding.

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 to mitigate any significant additional reductions in headroom due to unforeseen events which would include actions such as delaying management fees and payments to suppliers. The increased liquidity of these actions give comfort to the Directors that it would have enough headroom to manage such unforeseen impacts.

The Directors have considered the pension risks and sensitivities in note 23 and reviewed Value-at-Risk analysis. The Directors consider the exposure to be adequately mitigated by strong governance, de-risked scheme assets, various contingent assets and committed payments for the benefit of the schemes.

The Directors have also considered the impact on the Group's ability to continue as a going concern in the event of delayed completion of the sale to One Equity Partners and Buckthorn Partners. The Directors are comfortable that although commencement of the new syndicated revolving credit facility would be delayed, the existing facilities would remain in place until July 2023.

The Group would seek to extend those facilities for a further period, but the Directors consider that even if an extension of those facilities were not granted, the Group has sufficient cash resources to enable it to continue operating in a normal manner.

In summary, since the Group's last set of financial statements for the year ended 2020 signed in May 2021, the Group's liquidity has strengthened and its external financing requirement reduced substantially. Accordingly, the Directors have adopted the going concern principle in preparing these financial statements.

Composition of the Board

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

I Tyler, Chairman

A Fisher

A Nelson

G Nieto Mier

E Fernandez Rodriguez
(appointed 24 November 2021)

A Veramendi
(appointed 24 November 2021)

J Galindo
(appointed 24 November 2021, resigned 20 June 2022)

F Lopez Soria
(resigned 24 November 2021)

A García
(resigned 24 November 2021)

F Gonzalez de Canales Moyano
(resigned 24 November 2021)

> ...since the Group's last set of financial statements for the year ended 2020 signed in May 2021, the Group's liquidity has strengthened and its external financing requirement reduced substantially.

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.

Employment of disabled persons

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. 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.

Modern Slavery

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

During 2021 Amey continued to engage with its supply chain. Failure to respond to any enquiries carries consequences for those within the supply chain. Amey's supply chains include:

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

All procurement of services and supplies is undertaken by professional procurement specialists within either the central procurement function or within the business units. Amey's intention is to build and maintain long term sustainable relationships with its suppliers encouraging collaborative working and exchange of innovative and good industry practices.

As part of the supply chain process, Amey has several systems to:

- Evaluate new suppliers as part of the on-boarding process
- Identify and assess potential risk areas in our supply chains and
- Monitor potential risk areas in our supply chains

In 2021 Amey commenced the use of the Constructionline system, to improve the identification and prequalification assessment of its suppliers to a common industry standard. The assessment includes questions specifically related to Modern Slavery with the requirement, where relevant, to provide a copy of their statement and information to show where the risk of slavery is and that it is being managed correctly.

In 2021 Amey commenced the use of the Constructionline system, to improve the identification and prequalification assessment of its suppliers to a common industry standard.

Amey assesses compliance within its existing supply chain and will assess any new suppliers for compliance with the following criteria:

- No forced labour or human trafficking is practiced, and employment is freely chosen
- Working conditions are safe and hygienic
- Working hours are not excessive
- A fair wage is paid
- No child will be exploited
- No harsh, cruel or degrading practices are allowed
- No discrimination is practised

A failure to comply with the above is an absolute bar to pre-qualification as a supplier to the Amey Group.

In 2020 we became signatories to the Gangmaster and Labour Abuse Authority's Construction Protocol and in 2021 we completed the Government's Modern Slavery Assessment Tool and achieved a 94% score (up from 87% in 2019).

Recruitment and training

The Amey Group undertakes pre-employment screening that includes identity checks and confirmation of entitlement to work in the UK on all employees prior to commencing employment with the Amey Group. These checks include a regular ongoing review of bank account, next of kin and home address duplications, as potential indicators of Modern Slavery.

As part of the onboarding process for joining the Amey Group each employee is given an overview of the essential policies and information in relation to those policies, procedures and other matters such as whistle blowing.

Building on the training to procurement teams last year, the Amey Group continues to use its web-based training, accessible to all employees, and 73% of our people completed the Modern Slavery e-learning module in 2021.

Our main KPI is the number of incidents raised. During 2021 no incidents of modern slavery were raised through any of the channels provided.

Political donations

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

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.

Auditors

Deloitte LLP have indicated to the Directors their intention to resign as auditor to the Company following completion of the 2021 financial statements. The Directors have appointed Mazars LLP as auditor of the Company for 2022.

Approval

This Report was approved and authorised for issue by the Board of Directors on 31 October 2022. Signed on behalf of the Board by:

Jayne Bowie
Company Secretary
31 October 2022

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.

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; 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 50.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards 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 adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We are independent of the 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;
- assessing the impact of the transaction evidencing commitment of new financing facility put in place by new owners; 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

Report on the Audit of the Financial Statements

continued

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, employment law, environmental laws, Climate Change Act, tax legislation and Health and Safety laws; 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 fraud 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;
  - Analysed, challenged and tested budgeted losses on construction projects to test the reasonableness of the future loss provision position or the absence thereof.
  - Performed design and implementation testing and assessed considerations of revised ISA 540; and
  - Performed retrospective review on the key contracts and obtained an understanding of any changes in the assumptions made previously.

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.

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
31 October 2022

Financial Statements

Group Income Statement

for the year ended 31 December 2021

	Note	Before exceptional items 2021 £'000	Exceptional items (note 4) 2021 £'000	Total 2021 £'000	*Re-presented* Before exceptional items 2020 £'000	*Re-presented* Exceptional items (note 4) 2020 £'000	*Re-presented* Total 2020 £'000
Continuing operations							
Total revenue		**2,471,463**	**-**	**2,471,463**	2,328,677	4,632	2,333,309
Less: share of revenue of joint ventures		**(143,170)**	**-**	**(143,170)**	(258,426)	-	(258,426)
Group revenue	3	**2,328,293**	**-**	**2,328,293**	2,070,251	4,632	2,074,883
Cost of sales		**(2,168,687)**	**3,167**	**(2,165,520)**	(1,977,819)	(8,254)	(1,986,073)
Gross profit (loss)		**159,606**	**3,167**	**162,773**	92,432	(3,622)	88,810
Administration expenses		**(83,248)**	**-**	**(83,248)**	(83,637)	-	(83,637)
Share of profit after tax of joint ventures	3	**6,773**	**-**	**6,773**	5,385	-	5,385
(Loss) profit on disposal of investments		**-**	**(74)**	**(74)**	-	2,163	2,163
Impairment of assets		**-**	**-**	**-**	-	(18,149)	(18,149)
Operating profit (loss)	3, 5	**83,131**	**3,093**	**86,224**	14,180	(19,608)	(5,428)
Finance income		**3,647**	**-**	**3,647**	5,266	-	5,266
Finance costs		**(7,918)**	**-**	**(7,918)**	(10,426)	-	(10,426)
Net finance expense	8	**(4,271)**	**-**	**(4,271)**	(5,160)	-	(5,160)
Profit (loss) before tax		**78,860**	**3,093**	**81,953**	9,020	(19,608)	(10,588)
Tax charge	9	**(20,053)**	**(602)**	**(20,655)**	(6,719)	-	(6,719)
Profit (loss) after tax from continuing operations		**58,807**	**2,491**	**61,298**	2,301	(19,608)	(17,307)
Loss from discontinued operations, net of tax	2	**(46,772)**	**(28,176)**	**(74,948)**	(42,788)	(49,555)	(92,343)
Impairment provision, net of tax	2	**-**	**(28,791)**	**(28,791)**	-	6,789	6,789
Net loss after tax from discontinued operations		**(46,772)**	**(56,967)**	**(103,739)**	(42,788)	(42,766)	(85,554)
Profit (loss) after tax for the year		**12,035**	**(54,476)**	**(42,441)**	(40,487)	(62,374)	(102,861)
Attributable to:							
Equity holders of the Company				**(20,487)**			(72,885)
Non-controlling interests				**(21,954)**			(29,976)
				(42,441)			(102,861)

Comparative information has been re-presented for revised perimeter of discontinued operations (see note 1(c)).

The notes on pages 102 to 172 form part of these Group financial statements.

Group Statement of Comprehensive Income

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Loss after tax for the year		**(42,441)**	(102,861)
Other comprehensive income (expense)			
Items not subject to recycling:			
Actuarial gains (losses) and adjustments on pension schemes	23	**110,884**	(55,500)
Deferred tax on pension schemes	9	**(7,142)**	16,302
Items subject to recycling:			
Gain (loss) on change in fair value of derivatives	17	**5,410**	(1,192)
Deferred tax on derivatives		**(223)**	580
Share of joint ventures' other comprehensive income (expense)			
- gain (loss) on change in fair value of derivatives	15	**635**	(663)
- deferred tax on derivatives		**196**	231
Other comprehensive income (expense) for the year after tax		**109,760**	(40,242)
Total comprehensive income (expense) for the year		**67,319**	(143,103)
Attributable to:			
Equity holders of the Company		**86,680**	(112,821)
Non-controlling interests		**(19,361)**	(30,282)
		67,319	(143,103)

The notes on pages 102 to 172 form part of these Group financial statements.

Group Balance Sheet

at 31 December 2021

	Note	2021 £'000	*Re-presented* 2020 £'000	*Re-presented* 2019 £'000
Non-current assets				
Goodwill on acquisition of subsidiary undertakings	10	**305,319**	305,319	305,319
Other intangible assets	11	**2,871**	18,915	24,655
Property, plant and equipment	12	**79,872**	102,501	57,888
Investments in joint ventures	13	**31,244**	26,920	36,386
Retirement benefit assets	23	**92,712**	43,578	26,244
Deferred tax assets	9	**63,583**	62,706	43,308
PFI/PPP Financial assets	14	**-**	66,119	-
Trade and other receivables	18	**83,905**	80,671	68,036
		659,506	706,729	561,836
Current assets				
Assets classified as held for sale and from discontinued operations	17	**204,964**	72,642	330,259
Inventories	19	**8,466**	14,020	6,071
PFI/PPP Financial assets	14	**-**	1,926	-
Trade and other receivables	18	**237,793**	242,037	282,719
Current tax assets		**6,209**	5,038	12,934
Cash and cash equivalents	20	**65,221**	128,308	86,322
		522,653	463,971	718,305
Total assets		**1,182,159**	1,170,700	1,280,141
Current liabilities				
Liabilities classified as held for sale and from discontinued operations	17	**(262,987)**	(60,477)	(350,976)
Trade and other payables	21	**(545,966)**	(548,678)	(473,907)
Ferrovial, S.A. group loans	21	**-**	(32,590)	(253,661)
Provisions for other liabilities and charges	24	**(29,796)**	(43,934)	(26,199)
External borrowings	22	**(22,340)**	(42,388)	(13,959)
		(861,089)	(728,067)	(1,118,702)
Non-current liabilities				
Trade and other payables	21	**(8,116)**	(7,593)	(5,172)
Derivative financial instruments		**-**	(18,833)	-
Deferred tax liabilities	9	**(38,424)**	(32,204)	(11,978)
Retirement benefit obligations	23	**(24,893)**	(92,671)	(38,032)
Provisions for other liabilities and charges	24	**(43,059)**	(110,018)	(59,102)
External borrowings	22	**(56,742)**	(98,507)	(102,201)
		(171,234)	(359,826)	(216,485)
Total liabilities		**(1,032,323)**	(1,087,893)	(1,335,187)
Net assets		**149,836**	82,807	(55,046)
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	**549,390**	545,868	263,032
Hedge reserve		**(3,321)**	(6,746)	(6,008)
Retained deficit		**(728,441)**	(808,174)	(694,211)
Equity attributable to equity holders of the Company		**236,326**	149,646	(18,489)
Non-controlling interests	27	**(86,490)**	(66,839)	(36,557)
Total equity		**149,836**	82,807	(55,046)

Comparative information has been re-presented in respect of the separate disclosure of retirement benefit assets and obligations. See note 1(b) for further information.

The notes on pages 102 to 172 form part of these Group financial statements. The financial statements on pages 96 to 164 were approved and authorised for issue by the Board of Directors on 31 October 2022 and signed on its behalf by:

A L Nelson
Director
31 October 2022

Group Statement of Changes in Equity

for the year ended 31 December 2021

	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 2020	203,677	153,134	61,887	263,032	(6,008)	(694,211)	(36,557)	(55,046)
Loss after tax for the year	-	-	-	-	-	(72,885)	(29,976)	(102,861)
Other comprehensive expense	-	-	-	-	(738)	(39,198)	(306)	(40,242)
Total comprehensive expense for the year	-	-	-	-	(738)	(112,083)	(30,282)	(143,103)
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)	-	-
At 31 December 2020	203,677	153,134	61,887	545,868	(6,746)	(808,174)	(66,839)	82,807
At 1 January 2021	**203,677**	**153,134**	**61,887**	**545,868**	**(6,746)**	**(808,174)**	**(66,839)**	**82,807**
Loss after tax for the year	**-**	**-**	**-**	**-**	**-**	**(20,487)**	**(21,954)**	**(42,441)**
Other comprehensive income	**-**	**-**	**-**	**-**	**3,425**	**103,742**	**2,593**	**109,760**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**3,425**	**83,255**	**(19,361)**	**67,319**
Reserves transfer in respect of Other equity instruments	**-**	**-**	**-**	**3,522**	**-**	**(3,522)**	**-**	**-**
Dividends paid to non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**(290)**	**(290)**
At 31 December 2021	**203,677**	**153,134**	**61,887**	**549,390**	**(3,321)**	**(728,441)**	**(86,490)**	**149,836**

The Other reserve relates to a capital contribution made by the Group's immediate parent company in 2003.

The notes on pages 102 to 172 form part of these Group financial statements.

Group Cash Flow Statement

for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Operating activities			
Cash flows generated by operating activities	28	**15,925**	57,936
Net income tax received		**1,580**	12,261
		17,505	70,197
Cash flows from investing activities			
Acquisition of non-controlling interest shareholding, cash paid		**(535)**	-
Additions of property, plant and equipment		**(1,583)**	(2,402)
Disposal of property, plant and equipment and other intangible assets		**271**	834
Acquisition of equity in and loan advances made to joint ventures		**(9,848)**	(7,719)
Repayment of loan advances made to joint ventures		**196**	28
Disposal of investments, cash received		**221**	1,206
Interest received		**8,558**	4,334
Dividends received from joint ventures		**7,994**	5,576
		5,274	1,857
Cash flows from financing activities			
Advances of bank loans		**-**	22,000
Repayment of bank loans		**(22,916)**	(64,730)
Movements on loans with Ferrovial, S.A. subsidiary undertakings		**694**	(254,814)
Repayments of other loans		**(100)**	-
Repayment of lease principal		**(22,152)**	(20,316)
Interest paid		**(11,898)**	(13,653)
Dividends paid to non-controlling interest shareholder		**(290)**	-
Proceeds from issue of Other equity instruments		**-**	280,956
		(56,662)	(50,557)
Net (decrease) increase in cash and cash equivalents		**(33,883)**	21,497
Cash and cash equivalents held as part of assets held for sale at 1 January		**-**	20,489
Cash and cash equivalents held in remainder of the Group at 1 January		**128,308**	86,322
Cash and cash equivalents at 31 December		**94,425**	128,308
Cash and cash equivalents held as part of assets held for sale at 31 December	17	**29,204**	-
Cash and cash equivalents held in remainder of the Group at 31 December	20	**65,221**	128,308
Cash and cash equivalents at 31 December		**94,425**	128,308
Included in the Group cash flow statement above are the following totals in respect of discontinued operations:			
Cash flows from operating activities		**(35,415)**	(58,918)
Cash flows from investing activities		**(1,506)**	2,486
Cash flows from financing activities		**(1,718)**	(2,184)

The notes on pages 102 to 172 form part of these Group financial statements.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

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 2021.

(b) Re-presentation of comparative information

Following review of the underlying net balance sheet position on retirement benefit assets and obligations, the Group balance sheet as been re-presented to reflect revised disclosure of schemes between those in a net asset and those in a net liability position rather than presenting one single net total for all schemes, as disclosed historically. Accordingly, Non-current assets and Non-current liabilities at 31 December 2020 have both been increased by £43.6 million in respect of retirement benefit assets and obligations (£26.2 million at 31 December 2019) with no overall impact on the Group's reported net assets at 31 December 2020 and at 31 December 2019.

(c) Discontinued operations

The Directors have assessed the progress and status of the sale processes undertaken in 2021 for the Cash Generating Units (CGUs) which were held for sale at 31 December 2020. 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 now met or not met for certain contracts, assets and liabilities of those perimeters:

- In the Waste Treatment CGU, in conjunction with Ferrovial, the Group has now re-assessed the strategy to follow going forward. Ferrovial have confirmed that in the event of a disposal of the Amey Group by Ferrovial, then the Waste Treatment Group will not form part of that divestment and accordingly Ferrovial have confirmed that they will be acquiring that CGU from the Amey Group.
- In the Utilities CGU, the sale process has progressed for the Water business and is nearing completion. Following negotiations, certain assets and liabilities are now being retained resulting in a modified perimeter.

Based on the above, the only relevant segments which are held for sale at 31 December 2021 are the Waste Treatment and Utilities Water CGUs. The change in classification as asset/liabilities held for sale is effective 31 March 2021 for the Waste Treatment CGU and is effective 31 December 2021 for the modified perimeter for the Utilities Water CGU.

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 further impairment of goodwill and other intangible assets totalling £30.3 million (£28.8 million after associated tax credit) has been recorded in 2021 in relation to the assets and liabilities of the Utilities Water CGU (see notes 4 and 17) (2020: no change in value).

The assets and liabilities previously classed as held for sale, but which have ceased to be so classified in 2021, 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.

(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, 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 Directors have also considered the implications of the recently announced sale of the Group to company controlled by One Equity Partners and Buckthorn Partners. This decision does not impact the Group's day-to-day operations and given that the Group does not rely on Ferrovial contractual guarantees there are no implications to the ongoing trading operations of the Group after completion of any sale. The impact on our financing arising from a change of control is considered below.

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

1. Accounting policies *(continued)*

(d) Going concern *(continued)*

The Group's key external banking facilities are bilateral facility agreements of £38 million with each of HSBC and Santander and £44 million with Royal Bank of Canada. These agreements total £120 million and mature on the earlier of July 2023 or on the date of completion of the proposed sale of the Group. At 31 December 2021, all of the facilities in place at that time were undrawn and the Group also held £46.9 million of unrestricted cash on the Group balance sheet.

In October 2022, the Group received commitments from three lenders, HSBC, Natwest Group and ABN Amro to enter into a four-year syndicated revolving credit facility. The facility is sized at £125 million and will be used to support the Group's future bonding and working capital requirements once any sale of the Group has been completed.

Notwithstanding this continuity of financing, the Directors of the Group have reviewed several factors including:

- the future business plans of the Group (including the current year results up to the date of these accounts, the current forecast for 2022 and the strategic plan for 2023 to 2026);
- the obligation, on completion of the sale of the Group, to pay in full to Birmingham Highways Limited the outstanding £35 million liability;
- servicing of additional debt post-completion of the sale of the Group;
- the availability of core and ancillary financing facilities;
- the compliance with the post completion related net debt/EBITDA banking covenant which must remain under 1.5x;
- 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 2022; and
  - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case

The RWC forecast looks at the following key sensitivities:

- £14 million net cash outflows due to unwind of working capital on contracts ending and other agreements in 2022 and 2023;
- the liquidity impact of lower-than-expected future revenue growth in each business stream through a lower bid win ratio; and
- consideration of a slowing down of working capital flows, in particular a market-wide increase in days sales outstanding.

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 to mitigate any significant additional reductions in headroom due to unforeseen events which would include actions such as delaying management fees and payments to suppliers. The increased liquidity of these actions give comfort to the Directors that it would have enough headroom to manage such unforeseen impacts.

The Directors have considered the pension risks and sensitivities in note 23 and reviewed Value-at-Risk analysis. The Directors consider the exposure to be adequately mitigated by strong governance, de-risked scheme assets, various contingent assets and committed payments for the benefit of the schemes.

The Directors have also considered the impact on the Group's ability to continue as a going concern in the event delayed completion of the sale to One Equity Partners and Buckthorn Partners. The Directors are comfortable that although commencement of the new syndicated revolving credit facility would be delayed, the existing facilities would remain in place until July 2023. The Group would seek to extend those facilities for a further period, but the Directors consider that even if an extension of those facilities were not granted, the Group has sufficient cash resources to enable it to continue operating in a normal manner.

In summary, since the Group's last set of financial statements for the year ended 2020 signed in May 2021, the Group's liquidity has strengthened and its external financing requirement reduced substantially. Accordingly, the Directors have adopted the going concern principle in preparing these financial statements.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

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 2021.

During the year ended 31 December 2021, the following additional standards which might have had an impact on the consolidated financial statements came into force in the United Kingdom:

Amendments to IFRS 4	Applying IFRS 9 with IFRS 4
Amendment to IFRS 16	Covid related rent concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform

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 2021.

The other new standards, amendments and interpretations approved by the IASB and approval status for use in the United Kingdom at 31 December 2021 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
Amendment to IFRS 3	Conceptual framework	1 January 2022	Not approved
Amendment to IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022	Not approved
Amendment to IAS 37	Onerous contracts	1 January 2022	Not approved
Annual improvements	2018 – 2020 cycle	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 IAS 1	Disclosure of accounting policies	1 January 2023	Not approved
Amendments to IAS 8	Definition of accounting estimates	1 January 2023	Not approved
Amendments to IAS 12	Deferred tax relating to assets and liabilities arising from a single transaction	1 January 2023	Not approved

The Group will not adopt these new standards, amendments and interpretations early for the year ended 31 December 2021 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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

1. Accounting policies *(continued)*

(g) Critical accounting estimates and judgements

In the consolidated financial statements for 2021, 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 2021 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).

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

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 this business, the judgement is sensitive to the estimate of EBITDA for 2022 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.

For the Waste Treatment business, in conjunction with Ferrovial, the Group has now re-assessed the strategy to follow going forward. Ferrovial have confirmed that in the event of a disposal of the Amey Group by Ferrovial, then the Waste Treatment business will not form part of that divestment and accordingly Ferrovial have confirmed that they will be acquiring that business from the Amey Group.

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.

Provision was made in previous years in the continuing business relating to the discounted settlement payments on the agreed exit from the Birmingham City Council Highways PFI Contract with £33.1 million provided for at 31 December 2021 (see note 24). Following the exit from the Birmingham City Council Highways PFI contract, the Group has one other significant long-term PFI contract in the Transport Infrastructure 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 £6.6 million is held for this other contract at 31 December 2021 under IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) on this contract (see note 24).

The collections business within Transport Infrastructure presented structurally difficult conditions due to the fragmented base of local authorities and low margins due to the low value-added nature of the market. Future loss provisions have been recognised under IAS 37 in previous years and £7.6 million provision is held at 31 December 2021 in respect of those loss-making contracts that the Group has not been able to exit (see note 24).

Waste 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 £71.5 million is held under IAS 37 on three of the treatment plants (see notes 4 and 24), though these plants now fall into perimeter of assets/liabilities held for sale.

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

1. Accounting policies *(continued)*

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

Intangible asset impairments

In 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 part of the Transport Infrastructure 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.

We have considered our order book, our historical bid success rate, 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 2022 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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

1. Accounting policies *(continued)*

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

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 in-perimeter 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 in-perimeter non-current assets, that excess has not been recognised at all.

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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

1. Accounting policies *(continued)*

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

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.

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.

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

1. Accounting policies *(continued)*

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

Revenue *(continued)*

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

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

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

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

(iii) Variable consideration

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

(iv) Balance sheet items relating to revenue recognition

Amounts recoverable on contracts/payments received on account

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

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.

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

1. Accounting policies *(continued)*

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

Revenue *(continued)*

(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.

- 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.

(vi) 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.

(vii) 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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

1. Accounting policies *(continued)*

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

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.

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.

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (less than €5,000, equivalent to £4,207). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the net present value of the future lease payments at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group has taken advantage of the practical expedients available in IFRS 16 to apply a single discount rate to a portfolio of leases.

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

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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

1. Accounting policies *(continued)*

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

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

The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates. The Group financial statements are also presented in pound sterling. 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.

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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

1. Accounting policies *(continued)*

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

Financial instruments *(continued)*

Impairment of financial assets (continued)

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

(a) *Trade and other receivables* - trade receivables are 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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

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 2019 reporting date meet the IFRS 9's criteria for hedge accounting at 1 January 2020 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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

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 2021 for the Cash Generating Units (CGUs) which were held for sale at 31 December 2020. 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 now met or not met for certain contracts, assets and liabilities of those perimeters:

- In the Waste Treatment CGU, in conjunction with Ferrovial, the Group has now re-assessed the strategy to follow going forward. Ferrovial have confirmed that in the event of a disposal of the Amey Group by Ferrovial, then the Waste Treatment Group will not form part of that divestment and accordingly Ferrovial have confirmed that they will be acquiring that CGU from the Amey Group.
- In the Utilities CGU, the sale process has progressed for the Water business and is nearing completion. Following negotiations, certain assets and liabilities are now being retained resulting in a modified perimeter.

Based on the above, the only relevant segments which are held for sale at 31 December 2021 are the Waste Treatment and Utilities Water CGUs. The change in classification as asset/liabilities held for sale is effective 31 March 2021 for the Waste Treatment CGU and is effective 31 December 2021 for the modified perimeter for 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 further impairment of goodwill and other intangible assets totalling £30.3 million (£28.8 million after associated tax credit) has been recorded in 2021 in relation to the assets and liabilities of the Utilities Water CGU (see notes 4 and 17) (2020: no change in value).

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

	Dis-continued operations 2021 £'000	**Impairment adjustment (see note 4) 2021 £'000**	**Total 2021 £'000**	*Re-presented* Dis-continued operations 2020 £'000	*Re-presented* Impairment adjustment (see note 4) 2020 £'000	*Re-presented* Total 2020 £'000
Total revenue	**251,055**	**-**	**251,055**	274,519	-	274,519
Less: share of revenue of joint ventures	**(7,491)**	**-**	**(7,491)**	(7,271)	-	(7,271)
Group revenue	**243,564**	**-**	**243,564**	267,248	-	267,248
Cost of sales – before exceptional items	**(277,540)**	**-**	**(277,540)**	(293,172)	-	(293,172)
Cost of sales – exceptional items	**(32,440)**	**-**	**(32,440)**	(49,555)	-	(49,555)
Cost of sales – total	**(309,980)**	**-**	**(309,980)**	(342,727)	-	(342,727)
Gross loss	**(66,416)**	**-**	**(66,416)**	(75,479)	-	(75,479)
Administration expenses	**(13,556)**	**-**	**(13,556)**	(15,768)	-	(15,768)
Share of loss after tax of joint ventures	**(603)**	**-**	**(603)**	(416)	-	(416)
Exceptional impairment of non-current assets	**-**	**(30,328)**	**(30,328)**	-	(1,782)	(1,782)
Exceptional reversal of impairment of non-current assets	**-**	**-**	**-**	-	8,571	8,571
Operating loss	**(80,575)**	**(30,328)**	**(110,903)**	(91,663)	6,789	(84,874)
Finance income	**4,911**	**-**	**4,911**	3,142	-	3,142
Finance expence	**(5,733)**	**-**	**(5,733)**	(4,547)	-	(4,547)
Net finance expense	**(822)**	**-**	**(822)**	(1,405)	-	(1,405)
Loss before tax	**(81,397)**	**(30,328)**	**(111,725)**	(93,068)	6,789	(86,279)
Tax credit – excluding exceptional items	**2,185**	**-**	**2,185**	725	-	725
Tax credit – on exceptional items	**4,264**	**1,537**	**5,801**	-	-	-
Tax credit – total	**6,449**	**1,537**	**7,986**	725	-	725
Net loss after tax from discontinued operations	**(74,948)**	**(28,791)**	**(103,739)**	(92,343)	6,789	(85,554)
Attributable to:						
Equity holders of the Company			**(81,773)**			(55,466)
Non-controlling interests			**(21,966)**			(30,088)
			(103,739)			(85,554)

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

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

3. Divisional analysis

The Group's divisions and their activities are described in more detail in the Strategic Report on pages 8 to 71.

As stated in note 1(c), the Directors have assessed the progress and status of the sale processes undertaken in 2021 for the Cash Generating Units (CGUs) which were held for sale at 31 December 2020. 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 now met or not met for certain contracts, assets and liabilities of those perimeters:

- In the Waste Treatment CGU, in conjunction with Ferrovial, the Group has now re-assessed the strategy to follow going forward. Ferrovial have confirmed that in the event of a disposal of the Amey Group by Ferrovial, then the Waste Treatment Group will not form part of that divestment and accordingly Ferrovial have confirmed that they will be acquiring that CGU from the Amey Group.
- In the Utilities CGU, the sale process has progressed for the Water business and is nearing completion. Following negotiations, certain assets and liabilities are now being retained resulting in a modified perimeter. The retained parts are now included in the Secure Infrastructure division.

Based on the above, the only relevant segments which are held for sale at 31 December 2021 are the Waste Treatment and Utilities Water CGUs.

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 2021 £'000	**Share of joint ventures' revenue 2021 £'000**	**Total 2021 £'000**	*Re-presented* Group revenue 2020 £'000	*Re-presented* Share of joint ventures' revenue 2020 £'000	*Re-presented* Total revenue 2020 £'000
Revenue – by division						
Continuing operations:						
Transport Infrastructure	**938,645**	**68,476**	**1,007,121**	904,599	184,499	1,089,098
Secure Infrastructure	**1,268,798**	**69,553**	**1,338,351**	1,068,768	69,171	1,137,939
Consulting	**143,581**	**235**	**143,816**	119,864	59	119,923
Rest of Group and Central Services (including interdivisional eliminations)	**(22,731)**	**4,906**	**(17,825)**	(18,348)	4,697	(13,651)
	2,328,293	**143,170**	**2,471,463**	2,074,883	258,426	2,333,309
Discontinued operations:						
Waste treatment	**121,731**	**7,491**	**129,222**	113,988	7,271	121,259
Utilities - water	**121,833**	**-**	**121,833**	153,260	-	153,260
	243,564	**7,491**	**251,055**	267,248	7,271	274,519
	2,571,857	**150,661**	**2,722,518**	2,342,131	265,697	2,607,828
Revenue – by geographical location						
United Kingdom	**2,562,586**	**150,661**	**2,713,247**	2,332,475	265,697	2,598,172
Rest of Europe	**9,271**	**-**	**9,271**	6,518	-	6,518
Australasia	**-**	**-**	**-**	1,031	-	1,031
North America	**-**	**-**	**-**	2,107	-	2,107
	2,571,857	**150,661**	**2,722,518**	2,342,131	265,697	2,607,828

Comparative information has been re-presented for the revised perimeter of discontinued operations (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 £4.4 million (2020: £7.3 million). The Group revenue for Transport Infrastructure for 2021 includes £nil of exceptional revenue arising on the final exit from the Birmingham highways contract (2020: £4.6 million) (see note 4).

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3. Divisional analysis *(continued)*

	Group operating profit excluding joint ventures 2021 £'000	Share of profit after tax of joint ventures 2021 £'000	Total operating profit 2021 £'000	*Re-presented* Group operating profit excluding joint ventures 2020 £'000	*Re-presented* Share of profit after tax of joint ventures 2020 £'000	*Re-presented* Total operating loss 2020 £'000
Divisional operating profit (loss) – before exceptional items						
Continuing operations:						
Transport Infrastructure	**408**	**1,080**	**1,488**	(52,021)	(4,255)	(56,276)
Secure Infrastructure	**65,246**	**5,365**	**70,611**	49,920	9,538	59,458
Consulting	**16,277**	**41**	**16,318**	14,166	7	14,173
Rest of Group and Central Services	**(5,573)**	**287**	**(5,286)**	(3,270)	95	(3,175)
	76,358	**6,773**	**83,131**	8,795	5,385	14,180
Discontinued operations:						
Waste treatment	**(45,687)**	**(603)**	**(46,290)**	(43,373)	(416)	(43,789)
Utilities - water	**(1,845)**	**-**	**(1,845)**	1,681	-	1,681
	(47,532)	**(603)**	**(48,135)**	(41,692)	(416)	(42,108)
	28,826	**6,170**	**34,996**	(32,897)	4,969	(27,928)
Divisional operating profit (loss) – exceptional items (note 4)						
Continuing operations:						
Transport Infrastructure	**8,500**	**-**	**8,500**	(21,771)	-	(21,771)
Consulting	**(5,333)**	**-**	**(5,333)**	2,163	-	2,163
Rest of Group and Central Services	**(74)**	**-**	**(74)**	-	-	-
	3,093	**-**	**3,093**	(19,608)	-	(19,608)
Discontinued operations:						
Waste treatment	**(32,440)**	**-**	**(32,440)**	(42,766)	-	(42,766)
Utilities - water	**(30,328)**	**-**	**(30,328)**	-	-	-
	(62,768)	**-**	**(62,768)**	(42,766)	-	(42,766)
	(59,675)	**-**	**(59,675)**	(62,374)	-	(62,374)
Divisional operating profit (loss) – after exceptional items						
Continuing operations:						
Transport Infrastructure	**8,908**	**1,080**	**9,988**	(73,792)	(4,255)	(78,047)
Secure Infrastructure	**65,246**	**5,365**	**70,611**	49,920	9,538	59,458
Consulting	**10,944**	**41**	**10,985**	16,329	7	16,336
Rest of Group and Central Services	**(5,647)**	**287**	**(5,360)**	(3,270)	95	(3,175)
	79,451	**6,773**	**86,224**	(10,813)	5,385	(5,428)
Discontinued operations:						
Waste treatment	**(78,127)**	**(603)**	**(78,730)**	(86,139)	(416)	(86,555)
Utilities - water	**(32,173)**	**-**	**(32,173)**	1,681	-	1,681
	(110,300)	**(603)**	**(110,903)**	(84,458)	(416)	(84,874)
	(30,849)	**6,170**	**(24,679)**	(95,271)	4,969	(90,302)

Comparative information has been re-presented for the revised perimeter of discontinued operations (see note 1(c)).

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4. Exceptional items

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

	2021 £'000	*Re-presented* 2020 £'000
Continuing operations:		
Birmingham contract revenues (i)	**-**	(4,632)
Total group revenue	**-**	(4,632)
Contract loss provisions (release) charge (ii)	**(3,167)**	13,300
Birmingham contract dispute credit (i)	**-**	(5,046)
(Credited) charged as cost of sales	**(3,167)**	8,254
Impairment of other assets (iii)	**-**	18,149
Charged as impairment of assets	**-**	18,149
Loss (profit) on disposal of investments (iv)	**74**	(2,163)
Total charged as part of operating loss on continuing operations	**(3,093)**	19,608
Exceptional tax charge (v)	**602**	-
Total exceptional items (credited) charged on continuing operations	**(2,491)**	19,608
Discontinued operations:		
Contract loss provisions (vi)	**32,440**	49,555
Charged as cost of sales	**32,440**	49,555
Impairment of goodwill (vii)	**24,182**	-
Impairment of other non-current assets (viii)	**6,146**	1,782
Reversal of prior year impairment of other assets (ix)	**-**	(8,571)
Charged as impairment of assets	**30,328**	(6,789)
Total charged as part of operating loss on discontinued operations	**62,768**	42,766
Exceptional tax credit (x)	**(5,801)**	-
Total exceptional items charged on discontinued operations, net of tax	**56,967**	42,766
Total exceptional items	**54,476**	62,374

Comparative information has been re-presented for the revised perimeter of discontinued operations (see note 1(c)).

Continuing operations:

(i) Birmingham contract dispute credit

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 £9.7 million.

(ii) Contract loss provisions

In 2021, the Group has been able to release £3.2 million in respect of a contract liability of which £8.5 million was previously provided in the Highways division as a result of a settlement agreement on a contract held jointly by Amey and a fellow Ferrovial group company. As part of this settlement, and additional write off of accrued income of £5.3 million arose in the Consulting division.

In 2020, the Group provided a total of £13.3 million in respect of contracts where future losses are considered to be highly likely and unavoidable. This includes £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 operations.

(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 was severely impacted by the Covid pandemic.

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4. Exceptional items *(continued)*

Continuing operations *(continued)*

(iv) Profit on disposal of investments

In 2021, the Company concluded the liquidation from its Qatar joint venture and exited from the joint venture, Amey Breathe, resulting in a small loss of £0.1 million

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

(v) Tax on exceptional items

In 2021, the contract loss provision release has attributable tax of £0.6 million.

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.

Discontinued operations:

(vi) Contract loss provisions

In 2021, the Group has provided a total of £32.4 million in respect of contracts where future losses are considered to be highly likely and unavoidable. This included £13.6 million in respect of the North Yorkshire waste management contract, a further £8.8 million in respect of the Milton Keynes waste management contract and a further £10.0 million in respect of the Isle of Wight waste management contract.

In 2020, the Group provided a total of £49.6 million in respect of contracts where future losses were considered to be highly likely and unavoidable. This included £39.8 million in respect of the Milton Keynes waste management contract and £9.8 million in respect of the Isle of Wight waste management contract.

(vii) Impairment of goodwill

In 2021, a further impairment of £24.2 million was recognised to reduce the carrying balance of Utilities division goodwill to nil, following the strategic decision to divest that division and discontinue that activity for the Group.

(viii) Impairment of other non-current assets

In 2021, an impairment of £6.1 million was recognised to reduce the carrying balance of Utilities division other intangible assets to its recoverable amount of £10.4 million, following the strategic decision to divest that division and discontinue that activity for the Group. This recoverable amount is based on fair value less cost to sell.

In 2020, an additional charge of £1.8 million was incurred to fully impair other assets held by the Cambridge waste collections and treatment contract.

(ix) 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.

(x) Exceptional tax credit

In 2021, the contract loss provision has an attributable tax credit of £4.3 million and the impairment of other non-current assets has attributable tax credit of £1.5 million.

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 addition to the exceptional items noted above, the Group made no profit or loss on the disposal of certain waste collection contracts for which the Group received £3.0 million cash consideration.

The impact of exceptional items on the cash flow reported for the year is only in respect of the consideration received of £3.3 million (2020: £1.2 million) on the disposal of investments (which gave rise to a minimal loss in 2020).

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for the year ended 31 December 2021

5. Operating loss

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

		2021 £'000	2020 £'000
Deferred income recognised in the year		**(17,143)**	(21,547)
Research and development tax credits receivable and included in revenue		**(3,475)**	(2,943)
Amortisation	- other intangible assets	**10,199**	17,270
Depreciation	- owned assets	**6,586**	5,292
	- right of use assets	**21,656**	21,900
Amortisation of bid and mobilisation costs		**802**	3,332
Short-term and low value lease rentals	- land and buildings	**2,058**	3,980
	- hire of plant and machinery	**90,396**	93,237
	- IT licences and rentals	**47,392**	39,799
Cost of inventories recognised as an expense		**117,446**	105,293
Provision for credit losses arising on trade receivables (non-exceptional)		**5,922**	2,314
Loss (gain) on disposal of property, plant and equipment		**1,513**	(382)
Exceptional loss on disposal of investments		**74**	-
Exceptional gain on disposal of Australia operations (note 4)		**-**	(2,163)
Other operating exceptional items (note 4)		**59,601**	64,537
Auditor's remuneration	- audit of Company and Group financial statements	**600**	663
	- audit of subsidiary undertakings	**2,004**	1,973
	- audit of joint venture undertakings	**6**	18
	- audit-related assurance services	**12**	10

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6. Employees (including Directors)

Staff costs during the year consisted of:

	2021 £'000	2020 £'000
Wages and salaries	479,279	503,953
Social security costs	50,516	51,773
Other pension costs arising on defined benefit pension schemes (note 23)	2,455	2,851
Defined benefit pension schemes past service credit (note 23)	-	(1,857)
Other pension costs arising on defined contribution pension schemes	33,322	31,270
	565,572	587,990

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

	2021 Number	2020 Number
Contract-based employees	13,210	14,622
Management and administration	638	647
	13,848	15,269

7. Directors and key management remuneration

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

	2021 £'000	2020 £'000
Short-term employee benefits	1,739	1,420
Performance based Ferrovial, S.A. share-based awards	168	97
Total emoluments	1,907	1,517
Included above are the following amounts in respect of the highest paid Director:		
Emoluments	1,012	732

In 2021, two Directors (2020: 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).

During the year, one Director (2020: one) was a member of the Group's original defined benefit pension scheme (which has been closed to future accrual) and two Directors (2020: two) were members of the Group's current defined contribution pension scheme to which the Company has made no contributions (2020: £nil) during the year.

Certain other Directors 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.

Notes Forming Part of the Group Financial Statements

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8. Net finance expense

	2021 £'000	*Re-presented* 2020 £'000
Finance income		
Interest receivable from bank deposits	1	40
Interest receivable on loans to joint ventures (note 34)	402	970
Intercompany interest receivable in respect of discontinued operations	1,200	1,701
Other interest and similar income	85	1,025
Interest receivable from Ferrovial, S.A. subsidiary undertakings	4	4
Total finance income on financial assets at amortised cost	1,692	3,740
Foreign exchange gains	1,955	1,526
Total finance income	3,647	5,266
Finance costs		
Interest payable on borrowings	(115)	(1,436)
Interest payable on lease liabilities	(3,509)	(2,627)
Interest payable to Ferrovial, S.A. subsidiary undertakings (note 34)	(12)	(2,295)
Other interest and similar charges	(227)	(1,183)
Total finance costs on financial liabilities at amortised cost	(3,863)	(7,541)
Foreign exchange losses	(2,302)	(1,398)
Finance expense from defined benefit schemes (note 23)	(557)	(45)
Provision discount unwind finance expense (note 24)	(1,196)	(1,442)
Total finance costs	(7,918)	(10,426)
Net finance expense	(4,271)	(5,160)

Comparative information has been re-presented for the revised perimeter of discontinued operations (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

		2021 £'000	*Re-presented* 2020 £'000
Current tax			
UK		(16,581)	233
Overseas		4,349	4,519
Adjustment in respect of prior years	- UK	(1,178)	461
	- Overseas	65	(399)
Current tax (charge) credit		(13,345)	4,814
Deferred tax			
Charge to deferred tax provision relating to the origination and reversal of temporary differences		(7,752)	(1,226)
Credit (charge) to deferred tax provision relating to changes in tax laws		8	(382)
Credit (charge) to deferred tax asset relating to the origination and reversal of temporary differences		10,758	(5,861)
Credit to deferred tax asset relating to changes in tax laws		8,817	4,914
Deferred tax charge relating to employee benefit obligations relating to the origination and reversal of temporary differences		(1,507)	(3,457)
Deferred tax charge relating to employee benefit obligations relating to changes in tax laws		(17,634)	(5,521)
Deferred tax charge		(7,310)	(11,533)
Tax charge		(20,655)	(6,719)

Comparative information has been re-presented for the revised perimeter of discontinued operations (see note 1(c)).

Notes Forming Part of the Group Financial Statements

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9. Tax charge *(continued)*

	2021 £'000	*Re-presented* 2020 £'000
Reconciliation of variances from standard rate of UK corporation tax		
Profit (loss) on ordinary activities before tax on continuing operations	**81,953**	(10,588)
Add: share of tax of joint ventures	**685**	1,582
	82,638	(9,006)
Profit (loss) before tax at the standard rate of corporation tax in the UK of 19% (2020: 19.0%)	**15,701**	(1,711)
Adjusted for:		
Expenses (income) not deductible for tax purposes	**2,795**	(2,377)
Overseas rate differences	**450**	503
Foreign permanent establishment exemption	**-**	9
Adjustment in respect of prior years	**3,888**	9,223
Utilisation of unrecognised losses	**(1,217)**	(230)
Impact on current year of loss recognition	**5,550**	(2,052)
Other temporary differences in respect of foreign exchange on goodwill	**2,546**	(2,711)
Impact of change in tax rate	**(8,280)**	4,587
Other temporary differences	**(93)**	3,060
	21,340	8,301
Less: share of tax of joint ventures	**(685)**	(1,582)
Tax charge	**20,655**	6,719

Comparative information has been re-presented for the revised perimeter of discontinued operations (see note 1(c)).

The weighted average applicable tax rate was 25.0% (2020: minus 74.6%). 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 perimeter 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% (2020: 19%) on short-term timing differences and 25% (2020:19%) on long-term timing differences. For balances arising in Spain, an expected tax rate of 25% (2020: 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 2022. A budget resolution passed on 17 March 2021 included provision for the main rate of UK corporation tax to remain at 19% from 1 April 2021 and not reduce to 17% as previously legislated. The anticipated decrease in the Group's tax charge will now not materialise. On 10 June 2021, Finance Act 2021 gained Royal Assent and included provision for the main rate of UK corporation tax to increase to 25% from 1 April 2023.

The Group has benefited 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

	2021 £'000	2020 £'000
Deferred tax assets recognised	**63,583**	62,706
Deferred tax liabilities	**(38,424)**	(32,204)
	25,159	30,502

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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 2020	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 with assets held for sale (see notes 1(c) and 17)	8,051	-	-	-	3,538	11,589
At 31 December 2020	**19,626**	**9,327**	**1,458**	**21,998**	**10,297**	**62,706**
Income statement	**975**	**(19,141)**	**123**	**16,228**	**265**	**(1,550)**
SOCI	**-**	**(7,142)**	**-**	**-**	**(708)**	**(7,850)**
Reclassed with assets held for sale (see notes 1(c) and 17)	**(6,712)**	**-**	**-**	**3,565**	**(3,532)**	**(6,679)**
Category transfer to deferred tax liabilities	**-**	**16,956**	**-**	**-**	**-**	**16,956**
At 31 December 2021	**13,889**	**-**	**1,581**	**41,791**	**6,322**	**63,583**

Deferred tax liabilities

	Accelerated capital allowances £'000	Retirement benefit obligations £'000	Accelerated tax relief on goodwill £'000	Intangible assets acquired £'000	Other temporary differences £'000	Total £'000
At 1 January 2020	13	-	8,693	3,272	-	11,978
Income statement	16	-	3,683	(3,248)	1,158	1,609
Reclassed with assets held for sale (see notes 1(c) and 17)	-	-	-	-	18,617	18,617
At 31 December 2020	**29**	**-**	**12,376**	**24**	**19,775**	**32,204**
Income statement	**-**	**-**	**8,723**	**896**	**(963)**	**8,656**
Arising on acquisition	**-**	**-**	**-**	**161**	**-**	**161**
Reclassed with assets held for sale (see notes 1(c) and 17)	**-**	**-**	**-**	**(936)**	**(18,617)**	**(19,553)**
Category transfer to deferred tax liabilities	**-**	**16,956**	**-**	**-**	**-**	**16,956**
At 31 December 2021	**29**	**16,956**	**21,099**	**145**	**195**	**38,424**

At 31 December 2021, the Group has classed certain items of deferred tax assets and liabilities as part of assets/liabilities held for sale. This follows the change of perimeter of assets/liabilities held for sale arising during the year (see note 1(c)). Deferred tax assets and liabilities relating to the Waste Treatment business were reclassed at book value with effect from 31 March 2021 and those relating to the amended perimeter of the Utilities – Water business were reclassed at book value with effect from 31 December 2021.

At 31 December 2020, following that year's change in perimeter of assets/liabilities held for sale, deferred tax assets and liabilities were reclassed from assets/liabilities held for sale (see notes 1(c) and 17) as they no longer fell into perimeter. These were transferred at book value at 31 December 2020.

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9. Tax charge *(continued)*

Unrecognised deferred tax assets

	2021 £'000	2020 £'000
Capital losses	**3,841**	2,919
Trading losses	**111,803**	118,320
Accelerated depreciation	**-**	86
Other temporary differences	**930**	1,715
	116,574	123,040

In addition to the amounts shown above, unrecognised deferred tax assets on trading losses of £nil have been attributed to the divisions now reclassed as assets held for sale (2020: £nil).

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.

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10. Goodwill on acquisition of subsidiary undertakings

	Cost £'000	Provision for impairment £'000	Carrying value £'000
At 1 January 2020	444,033	(138,714)	305,319
Reclassed with assets held for sale (see notes 1(c) and 17)	110,360	(110,360)	-
At 31 December 2020	**554,393**	**(249,074)**	**305,319**
Disposal	**(103,021)**	**103,021**	**-**
Reclassed with assets held for sale (see notes 1(c) and 17)	**(7,339)**	**7,339**	**-**
At 31 December 2021	**444,033**	**(138,714)**	**305,319**

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

	2021 £'000	2020 £'000
Consulting	**178,796**	178,796
Transport Infrastructure	**39,771**	39,771
Strategic Infrastructure	**86,752**	86,752
	305,319	305,319

At 31 December 2021, the Group has classed certain items of goodwill as part of assets held for sale. This follows the change of perimeter of assets/liabilities held for sale arising during the year (see note 1(c)). Goodwill relating to the Waste Treatment business were reclassed at book value with effect from 31 March 2021.

At 31 December 2020, following that year's change in perimeter of assets/liabilities held for sale, goodwill was reclassed from assets held for sale (see notes 1(c) and 17) as they no longer fell into perimeter. These were transferred at book value at 31 December 2020.

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 2022 and the 2023-2026 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 1.76% (2020: 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 9.52% (2020: 9.76%). 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 (2019 to 2021) 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 decreases by 3% or margins were below by 1.5% from those experienced in 2021, then an impairment of the Goodwill would arise for the Consulting division. For the Transport Infrastructure division, 2021 revenue would have to decline by 35% or 2021 margins reduce by 2.3% for any impairment to arise. These changes are not very likely to happen given the current market conditions.

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.

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11. Other intangible assets

	Order books £'000	Customer relationships £'000	Contracts £'000	Software £'000	Total £'000
Cost					
At 1 January 2020	32,093	13,876	4,763	20,555	71,287
Additions	-	-	-	126	126
Reclassed with assets held for sale (see notes 1(c) 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**
Additions	**696**	**-**	**-**	**138**	**834**
Disposals	**(17,750)**	**(30,550)**	**-**	**-**	**(48,300)**
Reclassed with assets held for sale (see notes 1(c) and 17)	**-**	**-**	**(40,526)**	**183**	**(40,343)**
At 31 December 2021	**32,789**	**13,876**	**5,807**	**27,907**	**80,379**
Amortisation					
At 1 January 2020	19,090	7,460	2,590	17,492	46,632
Charge for the year	8,846	4,339	124	1,610	14,919
Reclassed with assets held for sale (see notes 1(c) 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**
Charge for the year	**4,242**	**2,077**	**273**	**1,396**	**7,988**
Disposals	**(17,750)**	**(30,550)**	**-**	**-**	**(48,300)**
Reclassed with assets held for sale (see notes 1(c) and 17)	**-**	**-**	**(31,636)**	**183**	**(31,453)**
At 31 December 2021	**32,178**	**13,876**	**3,868**	**27,586**	**77,508**
Carrying amount					
At 31 December 2021	**611**	**-**	**1,939**	**321**	**2,871**
At 31 December 2020	4,157	2,077	11,102	1,579	18,915

At 31 December 2021, the Group has classed certain items of other intangible assets as part of assets held for sale. This follows the change of perimeter of assets/liabilities held for sale arising during the year (see note 1(c)). Other intangible assets relating to the Waste Treatment business were reclassed at book value with effect from 31 March 2021 and adjustments relating to the amended perimeter of the Utilities – Water business were reclassed at book value with effect from 31 December 2021.

At 31 December 2020, following that year's change in perimeter of assets/liabilities held for sale, other intangibles assets were reclassed from assets held for sale (see notes 1(c) and 17) as they no longer fell into perimeter. These were transferred at book value at 31 December 2020.

Order books and customer relationships at 31 December 2021 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.

The additions to order books during the current year arose in respect of the acquisition of all of the 10% non-controlling interest in Seilwaith Amey Cymru / Amey Infrastructure Wales Limited in January 2021.

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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

12. Property, plant and equipment Property, plant and equipment

		Land and buildings			
	Assets under construction £'000	Long leasehold £'000	Short leasehold £'000	Plant and machinery £'000	Total £'000
Cost					
At 1 January 2020	-	176	33,881	60,450	94,507
Additions	-	-	5,489	11,952	17,441
Disposals	-	-	(3,306)	(7,132)	(10,438)
Reclassed with assets held for sale (see notes 1(c) 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**
Additions	**-**	**295**	**5,908**	**27,606**	**33,809**
Disposals	**-**	**-**	**(4,767)**	**(17,995)**	**(22,762)**
Reclassed with assets held for sale (see notes 1(c) and 17)	**(3,204)**	**(33,486)**	**(1,781)**	**(2,228)**	**(40,699)**
At 31 December 2021	**-**	**471**	**36,301**	**124,458**	**161,230**
Depreciation					
At 1 January 2020	-	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 with assets held for sale (see notes 1(c) and 17)	-	7,491	237	33,900	41,628
At 31 December 2020	**-**	**7,668**	**14,470**	**66,243**	**88,381**
Provided in year	**-**	**539**	**4,743**	**19,192**	**24,474**
Disposals	**-**	**-**	**(2,216)**	**(9,821)**	**(12,037)**
Reclassed with assets held for sale (see notes 1(c) and 17)	**-**	**(7,976)**	**(1,041)**	**(10,443)**	**(19,460)**
At 31 December 2021	**-**	**231**	**15,956**	**65,171**	**81,358**
Carrying amount					
At 31 December 2021	**-**	**240**	**20,345**	**59,287**	**79,872**
At 31 December 2020	3,204	25,994	22,471	50,832	102,501
Carrying amount of right of use assets included above (see note 30)					
At 31 December 2021	**-**	**-**	**20,304**	**58,668**	**78,972**
At 31 December 2020	-	-	21,917	53,624	75,541

At 31 December 2021, the Group has classed certain items of property, plant and equipment as part of assets held for sale. This follows the change of perimeter of assets/liabilities held for sale arising during the year (see note 1(c)). Property, plant and equipment relating to the Waste Treatment business were reclassed at book value with effect from 31 March 2021 and adjustments relating to the amended perimeter of the Utilities – Water business were reclassed at book value with effect from 31 December 2021.

At 31 December 2020, following that year's change in perimeter of assets/liabilities held for sale, property, plant and equipment was reclassed from assets held for sale (see notes 1(c) and 17) as they no longer fell into perimeter. These were transferred at book value at 31 December 2020.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

13. Investments in joint ventures

Investments in joint ventures comprise:

	2021 £'000	2020 £'000
Capital losses	375	402
Share of post-acquisition profits	15,859	16,930
Loan advances (see note 34)	33,464	32,229
Total	49,698	49,561
Provision for impairment – shares	(360)	(360)
Provision for impairment – loans	(18,094)	(22,281)
Carrying value on the balance sheet	31,244	26,920

The movements during the year were as follows:

	Cost of shares £'000	Shares: provision for impairment £'000	Share of post-acquisition profits £'000	Loan advances £'000	Loan advances: provision for impairment £'000	Total £'000
At 1 January 2020	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	-	-	-	-	22	22
Provision for impairment – exceptional (see note 4)	-	(360)	-	-	(17,789)	(18,149)
Reclassed with assets held for sale (see notes 1(c) and 17)	-	-	-	4,465	(4,465)	-
At 31 December 2020	**402**	**(360)**	**16,930**	**32,229**	**(22,281)**	**26,920**
Additions	**2**	**-**	**-**	**-**	**-**	**2**
Disposals	**(4)**	**-**	**(13)**	**-**	**-**	**(17)**
Share of profit after tax for the year	**-**	**-**	**6,774**	**-**	**-**	**6,774**
Share of movements in the SOCI:						
- derivatives	**-**	**-**	**(220)**	**-**	**-**	**(220)**
- deferred tax thereon	**-**	**-**	**357**	**-**	**-**	**357**
Dividends paid by joint ventures	**-**	**-**	**(7,994)**	**-**	**-**	**(7,994)**
Loan advances	**-**	**-**	**-**	**9,250**	**-**	**9,250**
Loan repayments	**-**	**-**	**-**	**(196)**	**-**	**(196)**
Provision for impairment	**-**	**-**	**-**	**-**	**(278)**	**(278)**
Reclassed with assets held for sale (see notes 1(c) and 17)	**(25)**	**-**	**25**	**(7,819)**	**4,465**	**(3,354)**
At 31 December 2021	**375**	**(360)**	**15,859**	**33,464**	**(18,094)**	**31,244**

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

13. Investments in joint ventures *(continued)*

At 31 December 2021, the Group has classed certain investments in joint ventures as part of assets held for sale. This follows the change of perimeter of assets/liabilities held for sale arising during the year (see note 1(c)). Joint venture investments relating to the Waste Treatment business were reclassed at book value with effect from 31 March 2021.

At 31 December 2020, following that year's change in perimeter of assets/liabilities held for sale, investments in joint ventures were reclassed from assets held for sale (see notes 1(c) and 17) as they no longer fell into perimeter. These were transferred at 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, including those which are now reported as part of assets held for sale, was as follows:

	2021 £'000	2020 £'000
Share of revenue	150,661	265,769
Share of profit after tax for the year	6,170	4,969
Share of other comprehensive expense	831	(432)
Dividends received from joint ventures	7,994	5,576
Share of gross assets	215,624	168,456
Share of gross liabilities	(204,467)	(160,241)
Share of net assets	11,157	8,215
Loan advances (note 34)	33,464	32,229
Provision for impairment	(18,454)	(22,641)
Net investment in joint ventures	26,167	17,803
Included in:		
Investments in joint ventures	31,244	26,920
Assets held for sale (see notes 1(c) and 17)	3,950	-
Liabilities held for sale (see notes 1(c) and 17)	(5,295)	-
Provision for joint venture losses (note 24)	(3,732)	(9,117)
	26,167	17,803

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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

14. PFI/PPP Financial assets

	2021 £'000	2020 £'000
PFI/PPP Financial assets		
Non-current	-	66,119
Current	-	1,926
Carrying value on the balance sheet	-	68,045

At 31 December 2021, the Group has classed PFI/PPP financial assets as part of assets held for sale. This follows the change of perimeter of assets/liabilities held for sale arising during the year (see note 1(c)). Joint venture investments relating to the Waste Treatment business were reclassed at book value with effect from 31 March 2021.

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% (2020: 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.

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 2021, the amount of credit risk on cash and cash equivalents totalled £94.4 million (2020: £128.3 million), including balances presented as part of assets held for sale. 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 2021, the amount of credit risk on trade and other receivables amounted to £353.7 million (2020: £340.4 million).

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

15. Financial instruments *(continued)*

Financial risk *(continued)*

Financial risk management - credit risk (continued)

he 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 2021, the amount of credit risk on PFI/PPP financial assets amounted to £67.1 million (2020: £68.0 million).

The amount of unprovided credit risk on loans to joint venture undertakings was £15.4 million (2020: £9.9 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.

The Group will take such enforcement action as is necessary where impaired financial assets are considered either to be partly or wholly recoverable from third parties.

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:

	2021 £'000	2020 £'000
Gains (losses) gains included in the SOCI:		
- in respect of derivatives transferred from equity	**5,410**	(1,192)
- in respect of share of joint ventures change in fair value of derivatives	**635**	(663)

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

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 2021 £'000	**Joint ventures 2021 £'000**	**Total 2021 £'000**	Subsidiaries 2020 £'000	Joint ventures 2020 £'000	Total 2020 £'000
Within 1 year	-	-	-	-	121	121
From 3 to 5 years	-	-	-	-	228	228
From 6 to 10 years	-	1,132	1,132	-	422	422
From 11 to 15 years	95,181	22,051	117,232	48,532	4,585	53,117
Over 15 years	-	14,743	14,743	-	14,820	14,820
Total	95,181	37,926	133,107	48,532	20,176	68,708

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 2021. This differs to the perimeter of assets/liabilities held for sale at 31 December 2020 when the maturity amounts did not relate to assets/liabilities 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:		
- net payables with Ferrovial, S.A.	135	(135)

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 £28.5 million due from Ferrovial Servicios, S.A. On 28 January 2022 this deposit was transferred to Ferrofin, SL prior to the sale of Ferrovial Servicios, S.A. by Ferrovial, S.A. on 31 January 2022. This risk is offset by the impact of cumulative unclaimed Spanish tax receipts denominated in Euros on allowable goodwill of £42.1 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 after tax impact on the Group of £1.0 million.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

15. Financial instruments *(continued)*

Financial risk *(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:

	2021 £'000	2020 £'000
Other non-recourse bank loans (note 22)	-	22,000
Lease liabilities (note 22)	79,082	70,189
PFI/PPP Non-recourse term loans (note 22)	-	48,606
Non-controlling interest shareholder loan (note 22)	-	100
Current Ferrovial, S.A. group loans (note 21)	-	32,590
Total external borrowings and Ferrovial, S.A. group loans	79,082	173,485
Total equity	149,836	82,807
	228,918	256,292

At 31 December 2021, following the change in perimeter of assets held for sale, the PFI/PPP Non-recourse term loans and the Ferrovial, S.A. group loans held by the Waste Treatment division have been reclassed as part of liabilities held for sale (see notes 1(c) and 17) and are now not 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:

	2021 £'000	2020 £'000
Financial assets:		
Loan advances to joint ventures	15,370	9,948
PFI/PPP financial assets	-	68,045
Trade receivables	54,684	40,321
Amounts recoverable on contracts	183,833	207,652
Amounts due from joint ventures	11,814	8,047
Amounts due from Ferrovial S.A. group undertakings	28,716	38,299
Cash and cash equivalents	65,221	128,308
Total financial assets measured at amortised cost	359,638	500,620
Financial liabilities:		
Trade payables	40,940	64,199
Payments received on account	2,776	2,446
Amounts due to Ferrovial S.A. group undertakings	6,857	33,875
Amounts due to joint ventures	-	28
External borrowings	79,082	140,895
Financial liabilities measured at amortised cost	129,655	241,443
Derivative financial instruments	-	18,833
Financial liabilities measured at fair value through other comprehensive income	-	18,833
Total financial liabilities	129,655	260,276

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

16. Financial assets and financial liabilities *(continued)*

The maturity analysis of financial liabilities is as follows:

	2021 £'000	2020 £'000
Non-derivative financial liabilities		
Due within one year	**72,913**	142,936
Due in one to 2 years	**18,678**	18,220
Due in two to five years	**23,147**	33,089
Due after more than five years	**14,917**	47,198
	129,655	241,443
Derivative financial liabilities		
Due after more than five years	**-**	18,833
Total financial liabilities	**129,655**	260,276

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 £15.1 million (2020: £nil) held by subsidiary undertakings which are members of the overall bank balance pooling agreement held by the Group with its principal banker. The gross amounts of cash without set off total £80.3 million (2020: £128.3 million).

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

17. Assets and liabilities held for sale

Summary of perimeter changes in 2021

The Directors have assessed the progress and status of the sale processes undertaken in 2021 for the Cash Generating Units (CGUs) which were held for sale at 31 December 2020. 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 now met or not met for certain contracts, assets and liabilities of those perimeters:

- In the Waste Treatment CGU, in conjunction with Ferrovial, the Group has now re-assessed the strategy to follow going forward. Ferrovial have confirmed that in the event of a disposal of the Amey Group by Ferrovial, then the Waste Treatment Group will not form part of that divestment and accordingly Ferrovial have confirmed that they will be acquiring that CGU from the Amey Group.
- In the Utilities CGU, the sale process has progressed for the Water business and is nearing completion. Following negotiations, certain assets and liabilities are now being retained resulting in a modified perimeter.

Based on the above, the only relevant segments which are held for sale at 31 December 2021 are the Waste Treatment and Utilities Water CGUs. The change in classification as asset/liabilities held for sale is effective 31 March 2021 for the Waste Treatment CGU and is effective 31 December 2021 for the modified perimeter for the Utilities Water CGU.

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 further impairment of goodwill and other intangible assets totalling £30.3 million (£28.8 million after associated tax credit) has been recorded in 2021 in relation to the assets and liabilities of the Utilities Water CGU (see note 4) (2020: no change in value).

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

for the year ended 31 December 2021

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 after tax of £30.3 million (£28.8 million after associated tax credit) (2020: £nil), which was included in the discontinued operations section of 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 the consideration agreed on 12 April 2022. This value has also been adjusted by the expected net debt and other adjustments which could be considered to give rise to an adjustment to debt.

For the Waste Treatment business, Ferrovial have confirmed that in the event of a disposal of the Amey Group by Ferrovial, then the Waste Treatment business will not form part of that divestment and accordingly Ferrovial have confirmed that they will be acquiring that business from the Amey Group. The fair value given to the Waste Treatment Business is based on the net assets of that CGU at 31 December 2021.

The assets and liabilities previously classed as held for sale, but which have ceased to be so classified in 2021 following the amended perimeter of the planned disposal of the Utilities – Water business, 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 2021 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 2021 and 2020. Changes in the perimeter of divestment business since 31 December 2020 result in a re-presentation of the 2020 income statement such that only the results of those business held for sale at 31 December 2021 are included in discontinued operations.
- any impairment loss arising on the divestment business above is included as part of discontinued operations. 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 operations 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 2021 and, in accordance with IFRS 5, does not require the restatement of the comparative balance sheet for 2020.

At 31 December 2021, assets classified as held for sale and from discontinued operations included £29.2 million (2020: £nil) 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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

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 at 31 December, including the different types of assets and liabilities that have been reclassified as discontinued operations.

	Previous balance sheet 2021 £'000	Reclassi-fication 2021 £'000	Balance sheet with discontinued operations 2021 £'000	*Re-presented* Previous balance sheet 2020 £'000	Reclassi-fication 2020 £'000	*Re-presented* Balance sheet with discontinued operations 2020 £'000
Non-current assets						
Goodwill on acquisition of subsidiary undertakings	**305,319**	**-**	**305,319**	329,501	(24,182)	305,319
Other intangible assets	**21,760**	**(18,889)**	**2,871**	37,268	(18,353)	18,915
Property, plant and equipment	**107,574**	**(27,702)**	**79,872**	110,123	(7,622)	102,501
Investments in joint ventures	**35,194**	**(3,950)**	**31,244**	26,920	-	26,920
Retirement benefit assets	**92,712**	**-**	**92,712**	43,578	-	43,578
Deferred tax assets	**72,821**	**(9,238)**	**63,583**	66,822	(4,116)	62,706
PFI/PPP Financial assets	**62,267**	**(62,267)**	**-**	66,119	-	66,119
Trade and other receivables	**83,905**	**-**	**83,905**	80,671	-	80,671
	781,552	**(122,046)**	**659,506**	761,002	(54,273)	706,729
Current assets						
Assets classified as held for sale and from discontinued operations	**-**	**204,964**	**204,964**	-	72,642	72,642
Inventories	**15,516**	**(7,050)**	**8,466**	14,677	(657)	14,020
PFI/PPP Financial assets	**4,797**	**(4,797)**	**-**	1,926	-	1,926
Trade and other receivables	**279,660**	**(41,867)**	**237,793**	259,749	(17,712)	242,037
Current tax assets	**6,159**	**50**	**6,209**	5,038	-	5,038
Cash and cash equivalents	**94,425**	**(29,204)**	**65,221**	128,308	-	128,308
	400,557	**122,096**	**522,653**	409,698	54,273	463,971
Total assets	**1,182,109**	**50**	**1,182,159**	1,170,700	-	1,170,700
Current liabilities						
Liabilities classified as held for sale and from discontinued operations	**-**	**(262,987)**	**(262,987)**	-	(60,477)	(60,477)
Trade and other payables	**(596,326)**	**50,360**	**(545,966)**	(597,726)	49,048	(548,678)
Ferrovial, S.A. group loans	**-**	**-**	**-**	(32,590)	-	(32,590)
Provisions for other liabilities and charges	**(29,796)**	**-**	**(29,796)**	(43,934)	-	(43,934)
External borrowings	**(23,691)**	**1,351**	**(22,340)**	(44,514)	2,126	(42,388)
	(649,813)	**(211,276)**	**(861,089)**	(718,764)	(9,303)	(728,067)
Non-current liabilities						
Trade and other payables	**(8,116)**	**-**	**(8,116)**	(7,593)	-	(7,593)
Ferrovial, S.A. group loans	**(33,284)**	**33,284**	**-**	-	-	-
Derivative financial instruments	**(13,423)**	**13,423**	**-**	(18,833)	-	(18,833)
Deferred tax liabilities	**(64,560)**	**26,136**	**(38,424)**	(35,665)	3,461	(32,204)
Retirement benefit obligations	**(24,893)**	**-**	**(24,893)**	(92,671)	-	(92,671)
Provisions for other liabilities and charges	**(132,445)**	**89,386**	**(43,059)**	(110,318)	300	(110,018)
External borrowings	**(105,739)**	**48,997**	**(56,742)**	(104,049)	5,542	(98,507)
	(382,460)	**211,226**	**(171,234)**	(369,129)	9,303	(359,826)
Total liabilities	**(1,032,273)**	**(50)**	**(1,032,323)**	(1,087,893)	-	(1,087,893)
Net assets	**149,836**	**-**	**149,836**	82,807	-	82,807
Capital and reserves						
Equity attributable to equity holders of the Company	**236,326**	**-**	**236,326**	149,646	-	149,646
Non-controlling interests	**(86,490)**	**-**	**(86,490)**	(66,839)	-	(66,839)
Total equity	**149,836**	**-**	**149,836**	82,807	-	82,807

Comparative information has been re-presented in respect of the separate disclosure of retirement benefit assets and obligations. See note 1(b) for further 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 2020 and at 31 December 2021 are broken down to the line 'Reclassed with asset or liability held for sale'.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

18. Trade and other receivables

	2021 £'000	2020 £'000
Current		
Trade receivables	**54,685**	40,321
Amounts recoverable on contracts	**128,466**	152,754
Amounts due from joint ventures (note 34)	**11,814**	8,047
Amounts due from Ferrovial, S.A. subsidiary undertakings (note 34)	**178**	12,526
Other debtors	**19,651**	11,529
Prepayments and accrued income	**22,999**	16,860
	237,793	242,037
Non-current		
Amounts recoverable on contracts	**55,367**	54,898
Amounts due from Ferrovial, S.A. subsidiary undertakings (note 34)	**28,538**	25,773
	83,905	80,671

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 £47.1 million (2020: £53.7 million) will be settled by payments over the remaining contract term of 15.7 years.

In addition to the amounts shown above, the Group has a non-current other debtor of £37.9 million (2020: £38.5 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 2021 and 2020. 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 2019 were £180.6 million and £49.1 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 and deferred income 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:

	2021 £'000	2020 £'000
At 1 January	**10,478**	7,824
Utilised	**(381)**	(1,514)
Charged to income statement	**5,317**	3,609
Reclassed with assets held for sale (see notes 1(c) and 17)	**(32)**	559
At 31 December	**15,382**	10,478

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

	2021 £'000	2020 £'000
Not past due	**39,407**	21,694
Up to 2 months past due	**10,177**	5,665
More than 2 months past due	**5,101**	12,962
	54,685	40,321

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

19. Inventories

	2021 £'000	2020 £'000
Raw materials and consumable stocks	7,275	11,601
Bid and mobilisation costs	1,191	2,419
	8,466	14,020

20. Cash and cash equivalents

	2021 %	2021 £'000	2020 %	2020 £'000
Cash balances held at floating rate	0.1	65,221	0.1	128,308

Included within cash balances is £18.3 million (2020: £57.1 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. Within the amounts held where the Group has restricted control, £1.9 million (2020: £1.6 million) has been pledged as security under a charge registered on one contract. 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 £15.1 million (2020: £nil) 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 £80.3 million (2020: £128.3 million).

Of the cash balances held above, £62,187,000 (2020: £117,966,000) is held in the UK, £40,000 (2020: £44,000) is held in Spain and £2,994,000 (2020: £10,298,000) is held elsewhere overseas. Further cash balances of £29,204,000 (2020: £nil) are held in the UK and are included within assets held for sale (see note 17).

21. Trade and other payables

	2021 £'000	2020 £'000
Current		
Trade payables	40,940	64,199
Payments received on account	2,776	2,446
Amounts due to Ferrovial, S.A. subsidiary undertakings (note 34)	6,857	33,875
Amounts due to joint ventures (note 34)	-	28
Other creditors	100,933	89,330
Deferred income	112,019	51,145
Accruals	282,441	340,245
	545,966	581,268
As presented on the balance sheet:		
Trade and other payables	545,966	548,678
Ferrovial, S.A. group loans (note 34)	-	32,590
	545,966	581,268
Non-current		
Deferred income		
- in more than 1 year but not more than 2 years	326	359
- in more than 2 years but not more than 5 years	7,367	6,561
- in more than 5 years	423	673
	8,116	7,593
As presented on the balance sheet:		
Trade and other payables	8,116	7,593
	8,116	7,593

21. Trade and other payables *(continued)*

Included within the Group's trade creditors balance is £11.1 million (2020: £23.7 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, S.A. subsidiary undertakings is a loan of £nil million (2020: £32.6 million) due to Thalia Holdco Limited (formerly Cespa UK Limited) which is designated in sterling and bears interest at market rate (2020: market rate) and which is due to be repaid by 31 December 2025. In 2021, this loan is now classed within liabilities held for sale. The loan is subordinated in favour of any amounts due to the Group's banks under the floating rate bilateral facility agreements in place and which have recourse to the Group balance sheet.

As required by the disclosure requirements of IFRS 15, the amounts of current and non-current deferred income at 31 December 2019 were £39.8 million and £5.2 million respectively.

22. External borrowings

	Current 2021 £'000	Non-current 2021 £'000	Current 2020 £'000	Non-current 2020 £'000
Other bank loans without recourse	-	-	22,000	-
PFI/PPP Non-recourse term loans	-	-	930	47,676
Lease liabilities	22,340	56,742	19,458	50,731
Non-controlling interest shareholder loan	-	-	-	100
	22,340	56,742	42,388	98,507

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

At 31 December 2021, the Group had not drawn down any loans under floating rate bilateral facility agreements with recourse to the balance sheet (2020: £nil). In addition, a subsidiary undertaking of the Group (Amey Defence Services Limited) has not drawn down other bank loans without recourse to the Group balance sheet but which is secured on the assets of that subsidiary (2020: £22.0 million). Lease liabilities are secured on the specific item which is provided to the Group under the terms of the lease.

PFI/PPP Non-recourse term loans have been secured on the assets of AmeyCespa WM (East) Limited and this is classed within liabilities held for sale at 31 December 2021 following the strategic review of the Group by the Directors and the decision to divest the Waste Treatment business. In 2020, the loan was classed as Group borrowings as the Waste Treatment business was not held for sale. See note 1(c)) for further information.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

22. External borrowings *(continued)*

Borrowing facilities

At 31 December 2021, the Group had £168.0 million (2020: £160.0 million) of undrawn loans under floating rate bilateral facility agreements of £40.0 million each with three banks and of £48.0 million with one bank. At 31 December 2021, all of the facilities in place at that time were undrawn and the Group also held £46.9 million of unrestricted cash on the Group balance sheet.

The Group's current key external banking facilities are bilateral facility agreements of £38 million with each of HSBC and Santander and £44 million with Royal Bank of Canada. These agreements total £120 million and mature on the earlier of July 2023 or on the date of completion of the proposed sale of the Group.

In October 2022, the Group received commitments from three lenders, HSBC, Natwest Group and ABN Amro to enter into a four-year syndicated revolving credit facility. The facility is sized at £125 million and will be used to support the Group's future bonding and working capital requirements once any sale of the Group has been completed.

These facilities are secured on the assets of the Group and hence have recourse to the Group balance sheet.

Also, at 31 December 2021, a subsidiary company of the Group, Amey Defence Services Limited, has £7.5 million (2020: £23.0 million) of other bank loan facility without recourse to the Group balance sheet on which there were no drawdowns at 31 December 2021 (2020: £22.0 million). This facility is secured on the assets of that subsidiary company. The facility is due to expire in June 2022 but the Group is considering renewing this facility for a further year.

External borrowings at 31 December 2021 mature as follows:

	Other bank loans without recourse 2021 £'000	PFI/PPP Non-recourse term loans 2021 £'000	Finance lease liabilities 2021 £'000	Non-controlling interest shareholder loan 2021 £'000	Total 2021 £'000
Due within 1 year	-	-	22,340	-	22,340
Due within 1 to 2 years	-	-	18,678	-	18,678
Due within 2 to 5 years	-	-	23,147	-	23,147
Due after more than 5 years	-	-	14,917	-	14,917
	-	-	79,082	-	79,082

	2020 £'000	2020 £'000	2020 £'000	2020 £'000	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

The weighted average interest rate bank loans with recourse facilities utilised during the year was 0.48% (2020: 1.1%) other bank loans without recourse facilities utilised during the year was 1.95% (2020: 1.75%) and for PFI/PPP Non-recourse term loans was 1.1% for 2020 (2021: not applicable). The interest rate on the lease liabilities are fixed at a weighted average rate of 4.0% (2020: 4.0%). The interest rate on the non controlling interest shareholder loan was fixed at three-month LIBOR plus margin of 3.0% in 2020 (2021: not applicable).

There was no difference between the external borrowings shown above and their equivalent fair values for 2021 and 2020. Fair value has been based on carrying amount.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

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.

	Other bank loans without recourse 2021 £'000	PFI/PPP Non-recourse term loans 2021 £'000	Finance lease liabilities 2021 £'000	Non-controlling interest shareholder loan 2021 £'000	Total 2021 £'000
Due within 1 year	-	-	23,205	-	23,205
Due within 1 to 2 years	-	-	20,353	-	20,353
Due within 2 to 5 years	-	-	29,282	-	29,282
Due after more than 5 years	-	-	14,018	-	14,018
Total	-	-	86,858	-	86,858
Less: impact of future finance costs	-	-	(7,776)	-	(7,776)
As reported on the balance sheet	-	-	79,082	-	79,082

	2020 £'000	2020 £'000	2020 £'000	2020 £'000	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

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

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

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

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 £33.3 million (2020: £31.3 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 plc 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 benefits 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 its section of this industry-wide 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 but open for future accrual, the current service costs as a percentage of pay are expected to rise significantly as active 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.

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

23. Retirement benefit schemes *(continued)*

Defined benefit schemes *(continued)*

No past service costs/credits have been recognised in respect of plan amendments during 2021. In 2020, the following past service costs/credits were recognised in respect of plan amendments:

- A past service cost of £0.4 million 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 £2.1 million 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 2021 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 2020
Railways Pension Scheme	31 December 2016
Citrus Pension Scheme	31 March 2021
West Yorkshire Pension Fund	31 March 2019
West Midlands Pension Fund	31 March 2019

The principal actuarial assumptions used are as follows:

	2021 %	2020 %
Rate of increase in salaries	**0.45 – 3.45**	0.45 – 3.10
Rate of increase in pensions in payment	**1.75 – 3.70**	1.55 – 3.55
Discount rate	**1.85**	1.25
Inflation assumption – RPI	**3.20**	2.80
Inflation assumption – CPI – pre-2030	**2.20**	1.70
Inflation assumption – CPI – post-2030	**3.10**	2.70

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

23. Retirement benefit schemes *(continued)*

Defined benefit schemes *(continued)*

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

	2021 Years	2020 Years
Remaining life of members aged 65		
- men	**21.3 – 23.6**	21.3 – 23.6
- women	**22.3 – 25.2**	22.2 – 25.1
Remaining life of members aged 45		
- men	**22.6 – 26.4**	22.6 – 26.3
- women	**23.8 – 26.9**	23.7 – 26.8

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:

	2021 £'000	2020 £'000	2019 £'000
Present value of funded obligations	**(986,285)**	(1,054,222)	(939,737)
Fair value of plan assets	**1,054,104**	1,005,129	928,434
Deficit	**67,819**	(49,093)	(11,303)
Present valued of unfunded obligations	**-**	-	(485)
Net asset (liability)	**67,819**	(49,093)	(11,788)
As presented on the balance sheet:			
Retirement benefit assets	**92,712**	43,578	26,244
Retirement benefit obligations	**(24,893)**	(92,671)	(38,032)
	67,819	(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:

	2021 £'000	2020 £'000
Current service cost (note 6)	**2,455**	2,851
Past service credit (note 6)	**-**	(1,857)
Total included under staff costs	**2,455**	994
Pension scheme administration costs	**1,266**	1,101
Finance expense (note 8)	**557**	45
Total income statement charge	**4,278**	2,140

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 £1.4 million for regular payments and £5.8 million for additional top-up payments.

The amount recognised in other comprehensive income was as follows:

	2021 £'000	2020 £'000
Actuarial gains (losses	**110,884**	(55,500)
Total income (expense) recognised in the SOCI	**110,884**	(55,500)

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 £67.5 million (2020: £90.2 million increase).

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23. Retirement benefit schemes *(continued)*

Defined benefit schemes *(continued)*

The movements in the balance sheet asset (liability) were as follows:

	2021 £'000	2020 £'000
At 1 January	**(49,093)**	(11,788)
Total income statement charge	**(4,278)**	(2,140)
Total income (expense) recognised in the SOCI	**110,884**	(55,500)
Employer contributions – regular payments	**1,576**	2,184
Employer contributions – additional top-up payments	**8,730**	18,151
At 31 December	**67,819**	(49,093)

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

	2021 £'000	2020 £'000
At 1 January	**1,054,222**	940,222
Service cost, including employees' share	**2,518**	2,940
Curtailment of pension obligations	**-**	(1,857)
Interest cost	**13,006**	18,941
Actuarial (gains) losses due to changes in financial assumptions	**(51,961)**	140,504
Actuarial losses (gains) due to changes in demographic assumptions	**1,009**	(8,205)
Experience losses on defined benefit obligations	**(4,898)**	(5,533)
Benefits paid	**(27,611)**	(32,790)
At 31 December	**986,285**	1,054,222

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

	2021 £'000	2020 £'000
At 1 January	**1,005,129**	928,434
Interest on assets	**12,449**	18,896
Actuarial gains	**55,034**	71,266
Administration expenses	**(1,266)**	(1,101)
Contributions from employees	**63**	89
Employer contributions – regular payments	**1,576**	2,184
Employer contributions – additional top-up payments	**8,730**	18,151
Benefits paid	**(27,611)**	(32,790)
At 31 December	**1,054,104**	1,005,129

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

	2021 £'000	2020 £'000
Equities	**263,765**	307,558
Fixed income	**512,586**	425,956
Property	**2,500**	5,387
Alternatives	**113,799**	103,625
Buy-in policies	**137,700**	149,361
Cash and cash equivalents	**23,754**	13,242
	1,054,104	1,005,129

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.

All of the schemes hold a proportion of their assets in liability-matching asset classes in order to either partially or fully hedge for movements in interest rates and inflation. The asset-liability matching strategies are not measured against the accounting position and as such the changes in assets to market movements may not match the movement in accounting liability.

Notes Forming Part of the Group Financial Statements

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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 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	Reduction in asset on the balance sheet £'000
+0.5% change to the RPI assumption	**58,600**
-0.5% change to discount rate assumed	**82,300**
Members' life expectancy increases by one year	**36,600**

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.

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 was increased from 0.20% to 0.40% from 2020 and is maintained for 2021.

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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

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 2020	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 with 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**
Income statement – cost of sales	**940**	**3,784**	**-**	**-**	**38**	**4,762**
Income statement – finance costs (discount unwind)	**-**	**-**	**1,196**	**-**	**-**	**1,196**
Utilisation	**(190)**	**(3,758)**	**(32,806)**	**-**	**-**	**(36,754)**
Share of movements of joint ventures in the SOCI	**-**	**-**	**-**	**(455)**	**-**	**(455)**
Reclassed with assets held for sale (see note 1(c))	**-**	**-**	**(42,984)**	**(4,930)**	**(1,932)**	**(49,846)**
At 31 December 2021	**4,808**	**16,336**	**47,979**	**3,732**	**-**	**72,855**
As presented on the balance sheet:						
Current liabilities	**738**	**5,136**	**23,922**	**-**	**-**	**29,796**
Non-current liabilities	**4,070**	**11,200**	**24,057**	**3,732**	**-**	**43,059**
At 31 December 2021	**4,808**	**16,336**	**47,979**	**3,732**	**-**	**72,855**
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

At 31 December 2021, the Group has classed certain provisions for other liabilities and charges as part of liabilities held for sale. This follows the change of perimeter of assets/liabilities held for sale arising during the year (see note 1(c)). Provisions relating to the Waste Treatment business were reclassed with effect from 31 March 2021 and adjustments relating to the amended perimeter of the Utilities – Water business were reclassed with effect from 31 December 2021.

At 31 December 2020, following that year's change in perimeter of assets/liabilities held for sale, provisions were reclassed from liabilities held for sale (see notes 1(c) and 17) as they no longer fell into perimeter. These were transferred at book value at 31 December 2020.

The table below sets out the movement on provisions included within liabilities held for sale 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	46,870	-	(1,609)	45,261
Share of movements of joint ventures in the SOCI	-	318	-	318
Reclassed with assets held for sale (see note 1(c) and 17)	(62,085)	(4,280)	(1,894)	(68,259)
At 31 December 2020	**300**	**-**	**-**	**300**
Reclassed with assets held for sale (see note 1(c) and 17)	**42,984**	**4,930**	**1,932**	**49,846**
Income statement – cost of sales	**39,588**	**-**	**336**	**39,924**
Utilisation	**(869)**	**-**	**(180)**	**(1,049)**
Share of movements of joint ventures in the SOCI	**-**	**365**	**-**	**365**
At 31 December 2021	**82,003**	**5,295**	**2,088**	**89,386**

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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 represents settlement agreements and estimated future losses arising from disputes and contract obligations. The future loss provisions will be utilised as those losses arise. The provision includes discounted exit settlement payments on the Birmingham City Council Highways PFI contract of £33.1 million, £6.6 million for future losses on the Sheffield Highways PFI contract and £7.6 million for future losses on the Surrey waste collections contract. Within liabilities held for sale, the contract loss provision includes waste management contract future loss provisions of £48.7 million for Milton Keynes, £13.6 million for North Yorkshire and £19.3 million for Isle of Wight.

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 twenty years.

The landfill site provision represents the Group's post-closure cost for site restoration and aftercare for up to sixty years post-closure.

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 Isle of Wight and North Yorkshire contracts will be utilised over the remaining terms of those contracts, being ten, sixteen, nineteen and twenty years respectively. Future loss provisions have been discounted at a rate of 3% per annum (2020: 3%).

25. Share capital

Ordinary shares of £1 each	**Number**	**£'000**
Authorised		
At 1 January 2020, 31 December 2020 and at 31 December 2021	**204,000,000**	**204,000**
Issued, allotted, called up and fully paid		
At 1 January 2020, 31 December 2020 and at 31 December 2021	**203,676,768**	**203,677**

26. Other equity instruments

	£'000
At 1 January 2020	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**
Accrued dividend for the year	**3,522**
At 31 December 2021	**549,390**

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. These restated loans of £138.1 million and £25.0 million are classed as Other equity instruments and are perpetual loans 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.

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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 is due to Landmille Limited. This restated loan 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.

All of the hybrid loans in issue at 31 December 2021 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 payments 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 financial liabilities 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 instruments 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 2021 was £8.4 million (2020: £4.9 million).

27. Non-controlling interests

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

	Thalia Waste Management Limited and subsidiary companies 2021 £'000	**Other group companies 2021 £'000**	**Total 2021 £'000**	Thalia Waste Management Limited and subsidiary companies 2020 £'000	Other group companies 2020 £'000	Total 2020 £'000
Share of revenue	**39,576**	**7,447**	**47,023**	38,940	11,626	50,566
Share of (loss) profit after tax	**(21,966)**	**12**	**(21,954)**	(30,088)	112	(29,976)
Share of other comprehensive income (expense)	**2,593**	**-**	**2,593**	(306)	-	(306)
Dividends paid to non-controlling interest shareholder	**-**	**(290)**	**(290)**	-	-	-
Share of gross assets	**90,294**	**1,695**	**91,989**	91,462	3,638	95,100
Share of gross liabilities	**(176,872)**	**(1,607)**	**(178,479)**	(158,667)	(3,272)	(161,939)
Share of net (liabilities) assets	**(86,578)**	**88**	**(86,490)**	(67,205)	366	(66,839)

The non-controlling interest in Thalia Waste Management Limited (formerly 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.

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28. Cash flow generated from operating activities

	Continuing operations 2021 £'000	Discontinued operations 2021 £'000	Total 2021 £'000	*Re-presented* Continuing operations 2020 £'000	*Re-presented* Discontinued operations 2020 £'000	*Re-presented* Total 2020 £'000
Loss before tax	81,953	(111,725)	(29,772)	(10,588)	(86,279)	(96,867)
Adjustment for net finance expense						
Finance income	(3,647)	(4,911)	(8,558)	(5,266)	(3,142)	(8,408)
Finance costs	7,918	5,733	13,651	10,426	4,547	14,973
	4,271	822	5,093	5,160	1,405	6,565
Adjustment for non-cash movements						
Depreciation of property, plant and equipment			28,242			27,192
Amortisation of intangible assets			10,199			17,271
Impairment of assets			30,328			11,360
Non-cash pension credit			(6,585)			(18,240)
Share of profit after tax of joint ventures			(6,170)			(4,969)
Loss (profit) on disposal of property, plant and equipment			1,513			(382)
Loss (profit) loss on disposal of investments			74			(2,163)
Non-cash provisions movement			44,686			58,329
			102,287			88,398
Movement in working capital						
(Increase) decrease in inventories			(839)			4,530
(Increase) decrease in receivables			(22,164)			116,359
Decrease in payables			(877)			(45,240)
Utilisation of provisions			(37,803)			(15,809)
			(61,683)			59,840
Cash flow generated (absorbed) by operating activities			15,925			57,936

Comparative information has been re-presented for the revised perimeter of discontinued operations (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. Cash flows arising in respect of financial liabilities classed as held for sale have been excluded from this analysis.

	2021 £'000	2020 £'000
Other bank loans without recourse	-	22,000
Lease liabilities	79,082	70,189
PFI/PPP Non-recourse term loans	-	48,606
Non-controlling interest shareholder loan	-	100
Amounts due to Ferrovial, S.A. group undertaking (current)	-	32,590
Total external borrowings and Ferrovial, S.A. group loans	79,082	173,485
Derivative financial instrument liabilities	-	18,833
Total finance liabilities forming part of financing	79,082	192,318

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29. Changes in financial liabilities arising from financing activities *(continued)*

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

	2021 £'000	2020 £'000
Total financial liabilities forming part of financing at the start of the year	192,318	369,821
Cash movements on financial liabilities:		
Repayment of bank loans with recourse	-	(64,000)
(Repayment) advance of other bank loans with recourse	(22,000)	22,000
Repayment on non-controlling interest shareholder loan	(100)	-
Repayment of leases	(21,620)	(13,203)
Repayment of PFI/PPP Non-recourse term loans	(383)	-
	(44,103)	(55,203)
Non-cash movements on financial liabilities:		
Conversion of Landmille Limited and Ferrofin, SL loan to Other equity instrument	-	(255,956)
Inception of new leases	33,361	15,992
Early release from existing leases	(7,887)	(2,098)
Roll up of unpaid interest on amounts due to Ferrovial, S.A. group undertaking	277	2,295
Change in fair value of derivative financial instrument liabilities	(3,720)	-
Financial liabilities classed as part of liabilities held for sale	(91,164)	117,467
	(69,133)	(122,300)
Total reduction in financial liabilities arising from financial activities	(113,236)	(177,503)
Total financial liabilities forming part of financing at the end of the year	79,082	192,318

30. Leases – additional disclosures

The changes in lease liabilities are set out below:

	2021 £'000	2020 £'000
At 1 January	70,189	52,060
Inception of new leases	33,361	15,992
Interest payable on leases	3,472	2,257
Early release from existing leases	(7,887)	(2,098)
Total leases before payments	99,135	68,211
Repayment of leases principal	(21,620)	(13,203)
Payment of leases interest	(3,472)	(2,257)
Total payments in respect of leases	(25,092)	(15,460)
Reclassed with liabilities held for sale	5,039	17,438
At 31 December	79,082	70,189

The Group has leases for the properties, plant and machinery, IT equipment and some vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 12).

The average interest rate applied on leases 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.

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30. Leases – additional disclosures *(continued)*

Leases of vehicles and IT equipment are generally limited to a lease term of 3 years. Leases of property generally have a lease term ranging from 1 year to 30 years. 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. At 31 December 2021 the Group had committed to one property lease which had not commenced (2020 – none). The total future cash outflows for leases that had not yet commenced was £417,760.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on balance sheet:

Right of use asset	**Number of right of use assets leased**	Range of remaining term
Land and buildings	63	1 month to 17 years
Plant and machinery	2,233	1 month to 9 years

Right of use assets

Additional information on the right of use assets by class of assets in as follows:

	Land and buildings £'000	**Plant and machinery £'000**	**Total £'000**
Carrying value at 1 January 2020	28.094	60,175	88,269
Additions	6,475	19,549	26,024
Disposals	(5,683)	(9,709)	(15,392)
Depreciation charge for the year	(5,509)	(16,391)	(21,900)
Carrying value at 31 December 2020	**23,377**	**53,624**	**77,001**
Additions	**6,552**	**27,448**	**34,000**
Disposals	**(2,624)**	**(6,132)**	**(8,756)**
Depreciation charge for the year	**(5,384)**	**(16,272)**	**(21,656)**
Carrying value at 31 December 2021	**21,921**	**58,668**	**80,589**

Included on the statement of financial position as follows:

Property plant and equipment	**20,304**	**58,668**	**78,972**
Assets held for sale	**1,617**	**-**	**1,617**
Carrying value at 31 December 2021	**21,921**	**58,668**	**80,589**
Property plant and equipment	21,917	53,624	75,541
Assets held for sale	1,460	-	1,460
Carrying value at 31 December 2020	23,377	53,624	77,001

The right-of-use assets are included in the same category as where the corresponding underlying assets would be presented if they were owned.

Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	31 December 2021 £'000	31 December 2020 £'000
Borrowings - Current	**22,340**	19,458
Borrowings - Non-current	**56,742**	50,731
	79,082	70,189
As part of liabilities held for sale - Current	**2,658**	7,668
Total	**81,740**	77,857

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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
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 OW Group Limited	Holding company
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 (since renamed Avove Limited)	Utilities network maintenance
Amey Ventures Limited	Bid management
Amey Ventures Asset Holdings Limited	Investment holdings
Amey Ventures Management Services Limited (since renamed Albany Ventures Management Services Limited)	Investment management
Amey Wye Valley Limited (80%)	Highways maintenance and other services
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
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
Seilwaith Amey Cymru/Amey Infrastructure Wales Limited	Rail services, management and maintenance
Sherard Secretariat Services Limited	Company secretarial services
Slough Enterprise Limited	Environmental services
Thalia AWRP ODC Limited (formerly AmeyCespa (AWRP) ODC Limited) (50%)	Waste management
Thalia MK ODC Limited (formerly AmeyCespa (MK) ODC Limited) (50%)	Waste management
Thalia Waste Management Limited (formerly AmeyCespa Limited) (50%)	Holding Company
Thalia WB Holdco (formerly AmeyCespa (East) Holdings Limited) (50%)	Holding company
Thalia WB ODC Limited (formerly AmeyCespa (East) Limited) (50%)	Waste management
Thalia WB Services Limited (formerly AmeyCespa Services (East) Limited) (50%)	Holding Company
Thalia WB SPV Limited (formerly AmeyCespa WM (East) Limited) (50%)	Waste management

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.

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for the year ended 31 December 2021

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

Dormant subsidiary undertaking	
Access Hire Services Limited	Enterprise Building Services Limited
Accord Asset Management Limited	Enterprise Business Solutions 2000 Limited
Accord Consulting Services Limited	Enterprise Fleet Limited
Accord Environmental Services Limited	Enterprise Foundation (ETR) Limited
Accord Network Management Limited	Enterprise Islington Limited
Amey (ABD) Limited	Enterprise Lighting Services Limited
Amey (JJMG) Limited (formerly JJ McGinley Limited)	Enterprise Managed Services (BPS) Limited
Amey 1321 Limited	Enterprise Public Services Limited
Amey Building Limited	Haringey Enterprise Limited
Amey Datel Limited	Hillcrest Developments (Yorkshire) Limited
Amey Facilities Partners Limited	ICE Developments Limited
Amey IT Services Limited	JDM Accord Limited
Amey MAP Services Limited	JNP Ventures Limited
Amey Railways Holdings Limited	JNP Ventures 2 Limited
Amey Technology Services Limited	MRS St Albans Limited
Amey Tramlink Limited	Novo Community Limited
Amey Tube Limited	Thalia IOW ODC Limited (formerly Allerton Waste Recovery Park Interim SPV Limited (50%))
Comax Holdings Limited	TPI (Holdings) Limited
Countrywide Property Inspections Limited	Transportation Planning (International) Limited
CRW Maintenance Limited	Trinity Group Holdings Limited
Durley Group Holdings Limited	Wimco Limited
Enterprise (ERS) Limited	

Amey MAP services was sold on 12 April 2021.
Amey (ABD) Limited was incorporated on 8 March 2021 and dissolved on 1 February 2022.
Amey 1321 Limited was dissolved on 1 March 2022.
Amey Equitix Smart Meters 1 Holdings Limited and Amey Equitix Smart Meters 1 SPV Limited were dissolved on 9 November 2021.
Byzak Contractors (Scotland) Limited was dissolved on 10 February 2021.
Enterprise Utility Services (DCE) Limited was dissolved on 18 February 2021.
Enterprise Utility Services (TBC) Limited was dissolved on 28 February 2021.

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.

Dormant subsidiary undertakings are exempt from audit under section 480 of the Companies Act 2006.

Post balance sheet event

The Group disposed of its investments in Amey Ventures Management Services Limited (since renamed Albany Ventures Management Services) in March 2022 and Amey Utility Services Limited (since renamed Avove Limited) in April 2022.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

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**	**2021 % held**	2020 % held
ALC (FMC) Limited *(in voluntary liquidation)*	PFI asset management concession for the MOD	Ordinary	**50.0**	50.0
AmeyBreathe Limited (since renamed Amey (ABD) Limited)	Energy efficiency design and installation	Ordinary	**50.0**	50.0
AmeyBriggs Asset Holdings Limited	Secure infrastructure	Ordinary	**50.0**	-
AmeyBriggs Assets Limited	Secure infrastructure	Ordinary	**50.0**	-
AmeyBriggs Services Holdings Limited	Secure infrastructure	Ordinary	**50.0**	-
AmeyBriggs Services Limited	Secure infrastructure	Ordinary	**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
AmeyVTOL Limited	Railways maintenance	Ordinary	**60.0**	60.0
AWRP Holding Co Limited (formerly AmeyCespa (AWRP) Holding Co Limited)	PFI waste management concession	See note	**3.3**	3.3
AWRP SPV Limited (formerly AmeyCespa (AWRP) SPV Limited)	PFI waste management concession	See note	**3.3**	3.3
EduAction (Waltham Forest) Limited	Education support services outsourcing	Ordinary	**50.0**	50.0
GEO Amey Limited (formerly 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 Consulting Limited	Railways maintenance	Ordinary	**36.0**	-
Keolis Amey Docklands Limited	Railways maintenance	Ordinary	**30.0**	30.0
Keolis Amey Metrolink Limited	Railways maintenance	Ordinary	**40.0**	40.0
Keolis Amey Operations/Gweithrediadau Keolis Amey Limited	Railways maintenance	Ordinary	**36.0**	36.0
Keolis Amey Rail Limited (formerly Keolis Amey Wales Cymru Limited)	Railways maintenance	Ordinary	**40.0**	40.0
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
Thalia MK Holding Co Limited (formerly AmeyCespa (MK) Holding Co Limited)	PFI waste management concession	Ordinary	**50.0**	50.0
Thalia MK SPV Limited (formerly AmeyCespa (MK) SPV Limited)	PFI waste management concession	Ordinary	**50.0**	50.0
TfW Innovation Services Limited	Railways maintenance	Ordinary	**17.6**	-

EduAction (Waltham Forest) Limited was dissolved on 1 February 2022

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 overall economic interest in the joint venture undertaking.

Notes Forming Part of the Group Financial Statements

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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	2021 % held	2020 % 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 (in voluntary liquidation)	PFI asset management concession for the MOD	Ordinary	**2.5**	2.5
ALC (Holdco) Limited *(in voluntary liquidation)*	PFI asset management concession for the MOD	Ordinary	**2.5**	2.5
ALC (SPC) Limited *(in voluntary liquidation)*	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 plc *(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	2021 % held	2020 % held
Amey Black and Veatch	Byzak Limited	Water systems maintenance	**50.0**	50.0
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 Construction 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

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 2021. 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 plc, Keolis Amey Metrolink Limited, Keolis Amey Rail Limited, Keolis Amey Operations/Gweithrediadau Keolis Amey Limited, Scot Roads Partnership Holdings Limited, Scot Roads Partnership Project Limited, Scot Roads Partnership Finance Limited, TfW Innovation Services Limited (all 31 March); ALC (FMC) Limited, ALC (Superholdco) Limited, ALC (Holdco) Limited, ALC (SPC) Limited, Amey FMP Belfast Strategic Partnership Hold Co Limited, Amey FMP Belfast Strategic Partnership SP Co Limited (all 30 June). Where a joint venture undertaking does not have a coterminous year end, interim financial statements have been prepared.

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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
ALC (FMC) Limited	The Business Debt Advisor, 18-22 Lloyd Street, Manchester, M2 5WA
ALC (Superholdco) Limited	The Business Debt Advisor, 18-22 Lloyd Street, Manchester, M2 5WA
ALC (Holdco) Limited	The Business Debt Advisor, 18-22 Lloyd Street, Manchester, M2 5WA
Amey Belfast Schools Partnership Hold Co Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Amey Belfast Schools Partnership PFI Co Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
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 FMP Belfast Strategic Partnership Hold Co Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Amey FMP Belfast Strategic Partnership SP Co Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Amey Hallam Highways Holdings Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Amey Hallam Highways Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
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
Amey Infrastructure Management (1) Limited	Watling House, 5th Floor, 33 Cannon Street, London, EC4M 5SB
Amey Infrastructure Management (2) Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Amey Infrastructure Management (3) Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Amey Lighting (Norfolk) Holdings Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Amey Lighting (Norfolk) 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 Ventures Investments Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Amey Ventures Management Services Limited (since renamed Albany Ventures Management Services Limited)	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Amey-Webber LLC	1209 Orange Street, Wilmington 19801, Delaware, USA
AWRP Holding Co Limited (formerly AmeyCespa (AWRP) Holding Co Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
AWRP SPV Limited (formerly AmeyCespa (AWRP) SPV Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
C.F.M. Building Services Limited	Precision House, McNeil Drive, Motherwell, Scotland, ML1 4UR
E4D&G Holdco Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
E4D&G Project Co Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Fleet and Plant Hire Limited	The Matchworks Pavilions 3 and 4, Garston, Liverpool, L19 2PH
GEO Amey Limited (formerly GEO Amey PECS Limited)	Unit A, Redwing Centre, Mosley Road, Trafford Park, Manchester, M17 1RJ
Integrated Bradford Hold Co One Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Integrated Bradford Hold Co Two Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Integrated Bradford LEP Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Integrated Bradford LEP Fin Co One Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Integrated Bradford PSP Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Integrated Bradford SPV One Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Integrated Bradford SPV Two Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Keolis Amey Consulting Limited	Evergreen Building North, 160 Euston Road, London, NW1 2DX
Keolis Amey Docklands Limited	Evergreen Building North, 160 Euston Road, London, NW1 2DX
Keolis Amey Metrolink Limited	Evergreen Building North, 160 Euston Road, London, NW1 2DX
Keolis Amey Operations/Gweithrediadau Keolis Amey Limited	Evergreen Building North, 160 Euston Road, London, NW1 2DX
Keolis Amey Rail Limited	Evergreen Building North, 160 Euston Road, London, NW1 2DX
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
Seilwaith Amey Cymru / Amey Infrastructure Wales Limited	Cvl Infrastructure Depot Ty Trafnidiaeth, Treforest Industrial Estate, Gwent Road, Pontypridd, CF37 5UT
Services Support (Avon & Somerset) Limited	Watling House, 5th Floor, 33 Cannon Street, London, EC4M 5SB
Services Support (Avon & Somerset) Holdings Limited	Watling House, 5th Floor, 33 Cannon Street, London, EC4M 5SB
TfW Innovation Services Limited	3 Llys Cadwyn, Taff Street, Pontypridd, Rhondda Cynon Taf, CF37 4TH
Thalia MK Holding Co Limited (formerly AmeyCespa (MK) Holding Co Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Thalia MK SPV Limited (formerly AmeyCespa (MK) SPV Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Thalia WB Services Limited (formerly AmeyCespa Services (East) Limited)	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
Thalia WB SPV Limited (formerly AmeyCespa WM (East) Limited	3rd Floor, 3-5 Charlotte Street, Manchester, M1 4HB
The Renfrewshire Schools Partnership Limited	Precision House, McNeil Drive, Motherwell, ML1 4UR

Notes Forming Part of the Group Financial Statements

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32. Financial and capital commitments

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets of less than €5,000 (equivalent to £4,207). Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. The committed future payments in relation to these are:

	Short term leases 2021 £'000	**Low value leases 2021 £'000**	Short term leases 2020 £'000	Low value leases 2020 £'000
Within 1 year	**1**	**1,813**	1	1,895
In 2 to 5 years inclusive	**1**	**978**	-	1,472
	2	**2,791**	1	3,367

Lease commitments relate to many small agreements throughout the Group, mainly in respect of IT equipment. None of these 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 leases in accordance with IFRS 16.

Other financial commitments

At 31 December 2021, the Group was committed to contributing subordinated loan capital of £nil million (2020: £16.6 million) to joint venture undertakings. The commitment at 31 December 2020 was cancelled on 7 February 2021 as part of a restructure of the Wales and Border rail contracts held by joint venture undertakings.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

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 2021, the Group has provided bank collateral totalling £54 million (2020: £91 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 £311 million (2020: £271 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 £35 million remaining to be paid at 31 December 2021. 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., 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. On 6 October 2021 the EC Court of Justice on the first and second Decisions (the third decision was not part of this appeal, but subject to a separate stayed appeal) ruled this Spanish tax measure as selective stating it is an illegal State Aid. Protection of investments made before December 2007 based on legitimate expectations remains as this issue was not challenged in this proceeding. The Group remains confident that the claim related to the third Decision will be upheld. The Directors have assessed the likelihood of the tax audit leading to any adjustment as low. The total value of the net tax relief claimed up to 31 December 2021 is £103.5 million (2020: £89.4 million) (based on euro amounts claimed of €123.0 million (2020: €116.6 million)).

The Group has received £25.1 million (2020: £22.2 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 2021:

	2021 £'000	2020 £'000	2021 £'000	2020 £'000
	Revenue		Interest receivable on loans with joint ventures	
ALC (FMC) Limited	**487**	720	**-**	34
Amey FMP Belfast Strategic Partnership Hold Co Limited	**-**	-	**(202)**	-
Amey FMP Belfast Strategic Partnership SP Co Limited	**41**	68	**-**	-
Amey Hallam Highways Limited	**37,830**	44,829	**-**	-
Amey Infrastructure Management (1) Limited	**-**	-	**95**	323
Amey Infrastructure Management (2) Limited	**107**	257	**258**	250
Amey Infrastructure Management (3) Limited	**107**	257	**200**	207
Amey Ventures Investments Limited	**31,858**	27,178	**-**	149
AmeyBriggs Services Limited	**505**	-	**-**	-
AWRP SPV Limited (formerly AmeyCespa (AWRP) SPV Limited)	**13,258**	9,393	**-**	-
EduAction (Waltham Forest) Limited	**-**	-	**-**	-
GEO Amey Limited (formerly GEO Amey PECS Limited)	**15**	14	**-**	-
Integrated Bradford SPV Two Limited	**6,874**	5,351	**-**	-
Integrated Bradford LEP Limited	**229**	225	**-**	-
Keolis Amey Docklands Limited	**75**	-	**-**	-
Keolis Amey Metrolink Limited	**87**	-	**-**	-
Thalia MK SPV Limited (formerly AmeyCespa (MK) SPV Limited)	**(799)**	(1,747)	**633**	589
	90,674	86,545	**1,132**	1,552
	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
Amey Hallam Highways Limited	**-**	-	**28**	27
Amey Infrastructure Management (1) Limited	**1,540**	1,540	**24**	24
Amey Infrastructure Management (2) Limited	**3,354**	3,354	**425**	168
Amey Infrastructure Management (3) Limited	**2,925**	3,068	**49**	75
Amey Ventures Investments Limited	**1,261**	1,314	**5,235**	3,223
AmeyBreathe Limited	**600**	600	**-**	-
AmeyBriggs Assets Limited	**-**	-	**812**	-
AmeyBriggs Asset Holdings Limited	**7,250**	-	**-**	-
AmeyBriggs Services Limited	**-**	-	**2,929**	-
AmeyBriggs Services Holdings Limited	**2,000**	-	**-**	-
AWRP SPV Limited (formerly AmeyCespa (AWRP) SPV Limited)	**-**	-	**(2)**	-
Thalia MK SPV Holding Co Limited (formerly AmeyCespa (MK) SPV Holding Co Limited)	**5,061**	4,465	**-**	-
EduAction (Waltham Forest) Limited	**-**	-	**-**	(2)
GEO Amey Limited (formerly GEO Amey PECS Limited)	**-**	-	**39**	20
Integrated Bradford LEP Limited	**-**	-	**15**	15
Integrated Bradford SPV Two Limited	**-**	-	**1,276**	(24)
Keolis Amey Docklands Limited	**-**	-	**502**	735
Keolis Amey Metrolink Limited	**-**	-	**143**	26
Keolis Amey Operations/Gweithrediadau Keolis Amey Limited	**17,788**	17,788	**86**	857
Keolis Amey Wales Cymru Limited	**-**	-	**678**	2,718
	41,879	32,229	**12,239**	8,064
Less: provision for impairment	**(22,559)**	(22,281)	**(2)**	(20)
	19,320	9,948	**12,237**	8,044

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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

34. Related party transactions *(continued)*

Ferrovial, S.A. and its subsidiary undertakings

	2021 £'000	2020 £'000
Income statement		
Net operating expenses	**(11,823)**	(14,164)
Net finance income	**110**	110
Net finance cost – Landmille Limited	**(12)**	(345)
Net finance cost – Ferrofin, SL	**-**	(1,950)
Net finance (cost) income – Ferrovial Servicios, S.A.	**(1,776)**	1,246
Net finance cost – Other Ferrovial, S.A. companies	**(694)**	(1,218)
	(14,195)	(16,321)
Balance sheet (including amounts classed as assets (liabilities) held for sale)		
Assets		
Non-current assets	**28,538**	25,773
Current assets – held within assets held for sale	**2,058**	-
Current assets – other	**178**	12,526
Liabilities		
Current liabilities – Ferrovial, S.A. group loans held within assets held for sale	**(33,284)**	-
Current liabilities – other	**(6,857)**	(33,875)
Net liabilities	**(9,367)**	4,424

The Group has been charged operating expenses by Ferrovial Servicios, S.A. up to 31 October 2021 and by Ferrovial Corporación, S.A from that date to 31 December 2021. The Group has also been charged finance costs by Landmille Limited, Ferrofin, SL and Thalia Holdco Limited (formerly Cespa UK Limited). Additionally, the Group received £4.5 million (2020: £5.9 million) from Ferrovial Servicios, S.A. in respect of tax losses.

Non-current assets represent euro denominate deposits with Ferrovial Servicios, S.A., which receive interest at a market rate of 0.02% (2020: 0.02%). On 28 January 2022 this deposit was transferred to Ferrofin, SL prior to the sale of Ferrovial Servicios, S.A. by Ferrovial, S.A. on 31 January 2022. In 2021, the Group recorded a foreign exchange loss of £1.8 million (2020: £1.2 million gain) on its deposits with, Ferrovial, S.A. subsidiary undertakings.

Current assets – held within assets held for sale includes the remaining part of the loan to Thalia Ventures Limited (formerly Cespa Ventures Limited) which receives interest at a fixed rate of 12.5% (2020: 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. These restated loans of £138.1 million and £25.0 million are classed as Other equity instruments and are perpetual loans 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 is due to Landmille Limited. 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 Group also has other Ferrovial, S.A. group loans of £33.3 million (2020: £32.6 million) due to Thalia Holdco Limited (formerly Cespa UK Limited) which is designated in sterling and bears interest at market rate (2020: market rate) and is due to be repaid in by 31 December 2025. This loan is included within current liabilities held for sale in 2021 following the change in perimeter of assets held for sale during the current year. This loan was outside the perimeter of liabilities held for sale in 2020 but was classed as a current liability as the repayment date was not extended until after 31 December 2020.

Ferrovial Servicios, S.A., Ferrovial Corporación, S.A, Landmille Limited, Thalia Ventures Limited (formerly Cespa Ventures Limited), Ferrofin, SL and Thalia Holdco Limited (formerly Cespa UK Limited) are all subsidiary undertakings of Ferrovial, S.A., the Group's ultimate parent undertaking. Ferrovial Servicios, S.A. was sold by Ferrovial, S.A. on 31 January 2022.

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

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 2021.

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 £0.3 million (2020: £0.2 million).

36. Post balance sheet events

Completed divestments

Since 31 December 2021, the Group has completed the divestment of its investments in Amey Ventures Management Services Limited (since renamed Albany Ventures Management Services) in March 2022 and the Utilities CGU through the sale of Amey Utility Services Limited (since renamed Avove Limited) in April 2022. The total expected proceeds from these divestments amounts to £21 million, of which £18 million is being held as deferred consideration. These divestments give rise to an estimated gain on disposal of £5 million.

Change in ultimate parent undertaking

On 11 October 2022, the Group's ultimate parent undertaking, Ferrovial, S.A., announced that it had reached agreement to sell the whole of the share capital of Amey UK plc and the other equity instruments held by Ferrovial as issued by Amey UK plc and its subsidiary undertaking, Amey plc to a company controlled by One Equity Partners and Buckthorn Partners. The sale of the Group is conditional on the completion of the transfer of the Waste Treatment CGU to Ferrovial, as this CGU does not form part of the Group's ongoing business that One Equity Partners and Buckthorn Partners have agreed to purchase and the approval by the Secretary of State for BEIS, as the transaction is subject to the National Security and Investment Act 2021. It is expected that the sale will be completed prior to 31 December 2022. Any change of ownership has no impact on the financial statements of the Group for the year ended 31 December 2021 and is also not expected to have any impact on the Group's operations and activities following completion of the sale.

The transaction represents an enterprise value of £400 million and an estimated equity value of approximately £245 million. The final consideration to be paid upon completion of the transaction will be adjusted by reference to the net debt and working capital figures resulting from a balance sheet prepared as of that date. The net consideration will be in the form of cash of £109 million and a vendor loan note of £136 million repayable over the next 5 years with an interest of 6% per annum, increasing to 8% after the third year. As part of the transaction, the Group consulted with the pension scheme trustees concerning the sale, who, upon advice, were content to execute a letter of agreement recording that the trustees do not consider the transaction (including the terms of the vendor loan note subordinated in favour of the pension schemes) will be materially detrimental to the ongoing employer covenant or the likelihood of accrued scheme benefits being received by members.

37. 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
at 31 December 2021

Company number 04736639	Note	**2021 £'000**	2020 £'000
Fixed assets			
Investment in subsidiary undertakings	41	**244,522**	48,528
Current assets			
Trade and other receivables			
- due after more than one year	42	**172,121**	158,685
- due within one year	42	**4,358**	4,589
Cash and cash equivalents		**1,047**	2,824
Total current assets		**177,526**	166,098
Creditors – amounts falling due within one year	43	**(872)**	(1,113)
Net current assets		**176,654**	164,985
Total assets less current liabilities		**421,176**	213,513
Provisions for liabilities	44	**(10,750)**	(12,376)
Net assets		**410,426**	201,137
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	**171,518**	167,996
Retained deficit		**(179,790)**	(385,557)
Equity shareholders' funds		**410,426**	201,137

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 £209.3 million (2020: £7.9 million).

The notes on pages 167 to 172 form part of these Company financial statements. The financial statements on pages 165 to 172 were approved and authorised for issue by the Board of Directors on 31 October 2022 and signed on its behalf by:

A L Nelson
Director
31 October 2022

Company Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Other reserve £'000	Other equity instrument £'000	Retained earnings (deficit) £'000	Total equity £'000
At 1 January 2020	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)	-
Loss after tax and total comprehensive expense for the year	-	-	-	-	7,946	7,946
At 31 December 2020	**203,677**	**153,134**	**61,887**	**167,996**	**(385,557)**	**201,137**
Reserves transfer in respect of Other equity instrument	**-**	**-**	**-**	**3,522**	**(3,522)**	**-**
Profit after tax and total comprehensive income for the year	**-**	**-**	**-**	**-**	**209,289**	**209,289**
At 31 December 2021	**203,677**	**153,134**	**61,887**	**171,518**	**(179,790)**	**410,426**

The Other reserve relates to a capital contribution made by Group's immediate parent company in 2003.

The notes on pages 167 to 172 form part of these Company financial statements.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

38. 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.

39. 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(e) 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(f) 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 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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

39. 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 41 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).

40. 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 (2020: two) at a total staff cost of £161,000 (2020: £144,000).

41. Investment in subsidiary undertakings

	Cost of shares £'000	Subordinated loan £'000	Carrying value £'000
Cost			
At 1 January 2020, at 31 December 2020 and at 31 December 2021	497,867	60,000	557,867
Provision for impairment			
At 1 January 2020 and at 31 December 2020	(497,867)	(11,472)	(509,339)
Release of provision for the year	184,522	11,472	195,994
At 31 December 2021	(313,345)	-	(313,345)
Carrying value			
At 31 December 2021	184,522	60,000	244,522
At 1 January 2020 and at 31 December 2020	-	48,528	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.

Notes Forming Part of the Group Financial Statements

for the year ended 31 December 2021

41. Investment in subsidiary undertakings *(continued)*

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.

The Directors have reviewed the carrying value of the investment in its only direct subsidiary company and have concluded that the impairment provision previously made can now be partially reversed as a result of the improved performance of that investment and the markets in which it operates.

The recoverable amounts of investments of £244.5 million 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 2022 and the 2023-2026 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 1.76% (2020: 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 9.52% (2020: 9.76%). 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.

42. Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year		
Tax debtor	4,589	557,867
	4,589	557,867
Amounts falling due after more than one year		
Amounts due from subsidiary undertakings	143,583	132,912
Amounts due from Ferrovial Servicios, S.A.	28,538	25,773
	172,121	158,685
	176,479	163,274

43. Creditors – amounts falling due within one year

	2021 £'000	2020 £'000
Other creditors	18	14
Accruals	854	1,099
	872	1,113

At 31 December 2021, the Company has not drawn down any loans under floating rate bilateral facility agreements with recourse to the balance sheet (2020: £nil).

At 31 December 2021, the Company had £168.0 million (2020: £160.0 million) of undrawn loans under floating rate bilateral facility agreements of £40.0 million each with three banks and of £48.0 million with one bank.

The Company's current key external banking facilities are bilateral facility agreements of £38 million with each of HSBC and Santander and £44 million with Royal Bank of Canada. These agreements total £120 million and mature on the earlier of July 2023 or on the date of completion of the proposed sale of the Company.

In October 2022, the Company received commitments from three lenders, HSBC, Natwest Group and ABN Amro to enter into a four-year syndicated revolving credit facility. The facility is sized at £125 million and will be used to support the Company's future bonding and working capital requirements once any sale of the Company has been completed

These facilities are secured on the assets of the Group and hence have recourse to the Group balance sheet.

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

44. Provisions for liabilities

Deferred tax	2021 £'000	2020 £'000
At 1 January	12,376	8,693
Deferred tax (credited) charged to the income statement	(1,626)	3,683
At 31 December	10,750	12,376

The deferred tax liability arises in respect of accelerated tax relief on goodwill of £10.8 million (2020: £12.4 million). Deferred tax has been measured in full using the liability method using an expected tax rate of 25% (2020: 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 2020, 31 December 2020 and at 31 December 2021	204,000,000	204,000
Issued, allotted, called up and fully paid		
At 1 January 2020, 31 December 2020 and at 31 December 2021	203,676,768	203,677

46. Other equity instruments

	£'000
At 1 January 2020	63,032
Issue of Other equity instrument	103,084
Accrued dividend for the year	1,880
At 31 December 2020	167,996
Accrued dividend for the year	3,522
At 31 December 2021	171,518

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 loans of £138.1 million and £25.0 million are classed as Other equity instruments and are perpetual loans 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 2021, 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 loans do not satisfy the condition to be accounted for as financial liabilities 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 instruments 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 2021 was £8.4 million (2020: £4.9 million).

47. Financial and capital commitments

The Company had no financial or capital commitments at 31 December 2021 or 31 December 2020.

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

48. Contingent liabilities

At 31 December 2021, the Company has provided bank collateral totalling £54 million (2020: £19 million). The Company has provided guarantees to joint venture undertakings totalling £311 million (2020: £271 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 £35 million remaining to be paid at 31 December 2021. 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., 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. On 6 October 2021 the EC Court of Justice on the first and second Decisions (the third decision was not part of this appeal, but subject to a separate stayed appeal) ruled this Spanish tax measure as selective stating it is an illegal State Aid. Protection of investments made before December 2007 based on legitimate expectations remains as this issue was not challenged in this proceeding. The Company remains confident that the claim related to the third Decision will be upheld. The Directors have assessed the likelihood of the tax audit leading to any adjustment as low. The total value of the net tax relief claimed up to 31 December 2021 is £103.5 million (2020: £89.4 million) (based on euro amounts claimed of €123.0 million (2020: €116.6 million)).

49. Post balance sheet event - change in ultimate parent undertaking

On 11 October 2022, the Group's ultimate parent undertaking, Ferrovial, S.A., announced that it had reached agreement to sell the whole of the share capital of Amey UK plc and the other equity instruments held by Ferrovial as issued by Amey UK plc and its subsidiary undertaking, Amey plc to company controlled by One Equity Partners and Buckthorn Partners. The sale of the Group is conditional on the completion of the transfer of the Waste Treatment CGU to Ferrovial, as this CGU does not form part of the Group's ongoing business that One Equity Partners and Buckthorn Partners have agreed to purchase and the approval by the Secretary of State for BEIS, as the transaction is subject to the National Security and Investment Act 2021. It is expected that the sale will be completed prior to 31 December 2022. Any change of ownership has no impact on the financial statements of the Group for the year ended 31 December 2021 and is also not expected to have any impact on the Group's operations and activities following completion of the sale.

The transaction represents an enterprise value of £400 million and an estimated equity value of approximately £245 million. The final consideration to be paid upon completion of the transaction will be adjusted by reference to the net debt and working capital figures resulting from a balance sheet prepared as of that date. The net consideration will be in the form of cash of £109 million and a vendor loan note of £136 million repayable over the next 5 years with an interest of 6% per annum, increasing to 8% after the third year. As part of the transaction, the Group consulted with the pension scheme trustees concerning the sale, who, upon advice, were content to execute a letter of agreement recording that the trustees do not consider the transaction (including the terms of the vendor loan note subordinated in favour of the pension schemes) will be materially detrimental to the ongoing employer covenant or the likelihood of accrued scheme benefits being received by members.

Notes Forming Part of the Group Financial Statements
for the year ended 31 December 2021

50. 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

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