Registration number: 07840752

AECOM Design & Consulting Services UK Limited

Report and Consolidated Financial Statements

2 October 2020

Company Information

Directors	AR Barker
	DJ Price
Company secretary	B Taiwo
Auditors	Ernst & Young LLP 1 More London Place London UK SE1 2AF
Registered office	Aldgate Tower 2 Leman Street London UK E1 8FA

Strategic Report for the Year Ended 2 October 2020

The Directors present their Strategic Report for the year ended 2 October 2020.

The prior period of 12 months commenced on 29 September 2018 and ceased on 27 September 2019. The current period of 12 months commenced on 28 September 2019 and ceased on 2 October 2020.

Business review

The principal activity of the Company, AECOM Design & Consulting Services UK Limited, during the year under review was that of a holding company to several of the AECOM group trading entities. The principal activity of the Company and its subsidiaries (collectively, the Group) during the year was that of providing design and consultancy services to its UK (United Kingdom) customers.

Further details regarding the composition of the Group can be found in note 3.4 to these consolidated financial statements.

The Group's key financial and other performance indicators during the year were as follows:

	2020
	£ 000
Turnover / Gross service revenue	738,932
Net service revenue	529,875
EBITA	11,674
Turnover per technical staff member	108

	No.
Average number of employees	7,533
Days sales outstanding	50

Management monitors KPIs across the UK business. In the Design and Consulting Services (DCS) sector in which the Group operates, the key performance measures include gross service revenue, net service revenue (revenue, net of subcontractor and other direct costs), EBITA, revenue per technical staff member, headcount, and days sales outstanding.

The KPIs for the Group shown above are in line with management's expectations and are consistent with the performance of the underlying trading entities for the year.

Key financial and other performance indicators for the comparative period have not been presented given that the indicators are essentially all income statement based, and there was no consolidated income statement result presented in these consolidated financial statements in the prior year owing to the fact the consolidation of the Group only took place on the final day of the comparative accounting period.

Recently, there has been heightened political and economic uncertainty in the UK infrastructure market. Growth rates and market sentiment have been impacted by the on-going 'BREXIT' negotiations. The Directors continue to monitor the implications of BREXIT following the signing of the EU trade deal on 24 December 2020, and the Directors believe that AECOM has a robust strategy in place to minimise downside risk and capitalise on growth opportunities as they arise.

Strategic Report for the Year Ended 2 October 2020 (continued)

Business review (continued)

Within total comprehensive income for the year are actuarial losses of £36,542,000. The actuarial losses for the year have arisen due to changes in the underlying financial and demographic assumptions used to calculate the defined benefit pension obligations of the Group at the year end. The key movement in the financial assumptions affecting the year-end result is the reduction in discount rates to a range of 1.74%-1.63%. This reduction is due to macro-economic conditions which have reduced the discount rates from previously higher levels.

The immediate parent of the Company changed from Amentum International Holdings UK Ltd (formerly AECOM International Holdings UK Limited) to AECOM Intercontinental Holdings UK Limited on 27 January 2020, in advance of the sale of AECOM International Holdings UK Limited externally to the AECOM UK group.

Principal risks and uncertainties

The principal risks and uncertainties for the Group are broadly classed as liquidity risk, credit risk, competitive and market risk, performance/delivery risk, defined benefit pension exposure and climate change risk. The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its risks.

- **Liquidity risk**
  Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities, in the normal course of business and as heightened due to Coronavirus (COVID-19). The Group aims to mitigate liquidity risk by managing cash generation from its operations and applying cash collection targets. The Group also manages liquidity risk via credit facilities made available from a fellow Group undertaking, AECOM Global Ireland Services Limited as part of a group-wide treasury function.
- **Credit risk**
  Credit risk arises from the potential failure of counter-parties to the Group honouring their financial obligations. The Group's policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.
- **Competitive and market risk**
  The Group operates in a highly competitive industry which can impact upon its ability to win new work and also dilute its margins. The Group mitigates these risks by effective cost management thereby allowing it to remain competitive and to deliver the required results. Management also monitors bid tendering processes to ensure forecast bid margins remain satisfactory.
- **Performance/delivery risk**
  Performance risk arises with the nature of the environment in which the Group operates. Failure to deliver to time and agreed scope can lead to the Group sustaining losses through cost overruns and client claims. Management monitors performance on significant contracts rigorously and takes appropriate action when considered necessary to address performance and delivery issues.
- **Defined benefit pension exposure risk**
  The Group operates a number of funded defined benefit pension schemes. The financial liabilities associated with the Group's legacy pension obligations are largely related to the assets held in the pension funds, net of the change in the value of the funds' liabilities. The risks and uncertainties associated with the latter are typically related to changes in the long-term outlook for interest rates, inflation and life expectancy. Changes in these financial metrics are not within the control of the Group. The size of the obligations could also be adversely influenced by regulatory or legislative changes. The Group constructively engages with the Trustees of the pension schemes to ensure that the assets and liabilities of the schemes are managed in a way which seeks to reduce the likelihood of unexpected cost to the Group.

Strategic Report for the Year Ended 2 October 2020 (continued)

- **Climate change risk**
  Climate change risk is the risk of disruption to the business due to increased severity and frequency of extreme weather events, such as rising temperatures or flooding. Climate change risk is a strategic consideration for AECOM globally, and a key aspect of AECOM's Sustainability Strategy. In managing this risk, it is mandatory for all UK offices to have resilience plans in place. The plans are subject to regular reviews to ensure any new and shifting climate risks are addressed. For project sites, climate risks are addressed in risk assessments and method statements, or in construction phase project plans for larger projects. All employees are encouraged to report significant weather events which affect our offices or sites via online safety, health and environment reporting tools.

Section 172 statement

The Board of Directors confirm, both individually and in aggregate, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company and Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in points (a) to (f) of section 172(1) of The Companies Act 2006).

The Board fulfils its duties partly through a governance framework that delegates day to day decision making to senior management and the Leadership Team, further details of which can be found within the Directors' Report.

The following section summarises how the Directors consider they have fulfilled their duties in regard of the above:

Investors
As a 100% owned subsidiary of the AECOM group, the Board regularly and openly engages with AECOM, recognising the importance of effective dialogue and the alignment of our strategy with that of the wider AECOM Group.

Through both structured and ad hoc regular and open dialogue with AECOM, we have ensured that our UK strategy is aligned with that of the wider AECOM group. The FY20-21 plan and strategy form the basis for financial budgets, resource plans and investment decisions, and also the future strategic direction of the Company.

Suppliers
We have a wide pool of suppliers, including sub-contractors, whose performance is critical to enable us to deliver a high quality service to our customers. We strive to ensure that our suppliers operate at the same high standards of conduct that we set ourselves. We work with our suppliers to ensure that they have effective controls in place to enable this.

We engage with suppliers throughout the procurement process using a variety of methods including competency and compliance checks, collaborative working groups and supplier surveys/ feedback.

Key topics of engagement include compliance processes and data protection, AECOM's supplier code of conduct, health and safety initiatives and policies, responsible procurement, trust and ethics, and the current market and economic environment. These communications enable us to improve our processes and to confirm that our suppliers have complied with AECOM's supplier code of conduct and health and safety policy data privacy notices.

Strategic Report for the Year Ended 2 October 2020 (continued)

Section 172 statement (continued)

Employees
We are a professional services business. Our employees are at the heart of everything we do and are central to the long-term success of the Group.

We engage with our workforce to ensure that we are fostering a positive employee experience and are providing an inclusive environment where our workforce feel that they can bring their best selves to work, whilst engaging in meaningful work that enhances career and professional development.

Workforce engagement is enabled through a variety of employee forums including: town halls, leadership briefings, team meetings, company newsletters, management development programmes and mentoring and coaching initiatives.

Clients
We aim to deliver truly outstanding service to our clients, ensuring a positive project outcome. Our corporate strategy involves driving profitable growth, advancing a culture of quality, technical excellence and innovation, and committing to our clients and the communities they serve. In order to achieve this, we need to develop and maintain strong client relationships.

During the year the Board received updates on key client issues through client service performance updates and regular business reviews. These updates are supported by senior management meeting with clients, as well as the Government, in order to gain an insight into current issues and challenges.

The Board maintains key client relationships through regular engagement including focus groups, client listening, surveys summarised through net promoter score feedback. Topics discussed during such engagement include AECOM's global offer, contracts and pricing, delivery, health and safety, innovation, quality, technical excellence and professionalism.

As a result, new initiatives have been introduced at both the global and the regional level, including 'The AECOM Way', with a mission to design and execute a consistent, principle-driven approach to winning and delivering work at AECOM. The Client and Change Board, which meets regularly, continues to review themes and high-level issues that appear consistently within our client feedback.

Government
The UK Government implements social policies, legislation and regulations, and sets the frameworks within which we are required to operate. Successful relationships with the UK Government and regulators are vital to our long-term success.

We have engaged extensively with national and local Government stakeholders at all levels through a variety of forums including central and devolved powers. These have been on bespoke projects/ transactions, through construction industry forums, via one to one meetings and through our representation on a wide number of trade bodies, all of which have enabled direct engagement and influence on government policy.

The most significant matters raised relevant to our engagement with the Government were the climate crisis, understanding how we could utilise business support measures as a result of COVID-19, supporting the UK Government's response to the pandemic (e.g. assisting with the NHS Nightingale hospital project), digital transformation, off-site manufacturing and BREXIT.

Strategic Report for the Year Ended 2 October 2020 (continued)

Section 172 statement (continued)

Community and the environment

The communities and the environment are directly impacted by our business. Through our role as a global multidisciplinary consultancy we help clients maximise the social, economic and environmental wellbeing of the communities we serve.

Our social value policy is part of our Leadership Team governance, upheld through maintaining clear accountability for delivery of our regional Social Value Champions across the UK. Reviewed on an annual basis, we use independent tools to ensure that local needs are understood and actioned via our local offices. This allows us to review processes and progress to continuously improve our standards, efficiency and effectiveness, and introduce communication campaigns to inform our employees and other stakeholders of our social value policy.

Our social value themes include: promoting local skills and employment, protecting and improving our environment, driving healthier and resilient communities, and supporting growth of the local economy.

Pension trustees

The Trustees are responsible for ensuring that our pension schemes are run properly, and that members' benefits are secure. The defined benefits pension schemes of the Group represent a material obligation on the balance sheet of the Group.

It is critical that we engage with the Trustees regularly and openly throughout the year, to manage funding risks. In line with guidance issued by the pension regulator for employers, our primary means of engagement during the year have been our internal pensions managers working closely with the Trustees to deal with all matters related to the pension schemes, as well as meeting with the Trustees on a regular basis at periodic Trustee meetings held throughout the year.

This engagement enables us to balance the risks for the pension funds with respect to Group/ Scheme changes or macro-economic conditions with the needs of the other Group stakeholders.

Principal decisions

The section summarises how regard for the above stakeholders has influenced the principal decisions taken by the Directors during the year:

Response to COVID-19

The global outbreak of COVID-19 and the subsequent public health emergency adversely impacted commercial activity and contributed to significant volatility in debt and equity markets in 2020.

The impact on the construction industry has been profound. Despite this, the Group has managed the impact on its project delivery and has not experienced any material project cancellations to date.

The Board considered the impact on clients, the workforce and the supply chain and adjusted capacity to meet the current environment. The Board worked quickly to ensure that the workforce was well placed to allow a seamless transition to remote working, and the UK business has taken advantage of the Government's job retention and VAT deferral incentive schemes, all in a bid to control costs, preserve jobs, support local communities and to manage cash flow.

In response to the impact of COVID-19, a number of initiatives were also introduced during the year to better meet the demands of our markets and help us continue to provide the best services for our clients. These included a voluntary temporary pay reduction, a redundancy program and the exit of real estate leases where an alternative strategy or footprint was considered optimal.

Consultations were held with office leaders and impacted employees to ensure concerns were addressed and plans amended where appropriate.

Strategic Report for the Year Ended 2 October 2020 (continued)

Principal decisions (continued)

BREXIT

BREXIT impacts many areas of the Group's business and operations. From the consideration of staffing of non-UK resident employees on UK projects, to supply chain disruption, to tax implications, to changes in Government policy, legislation and regulation.

Since the referendum decision in 2016, the Board have planned for the potential impact on the UK business. The Directors continue to monitor the implications of BREXIT following the signing of the EU trade deal on 24 December 2020, and the Directors believe that the Company has a robust strategy in place to minimise downside risk and capitalise on growth opportunities as they arise.

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AR Barker
Director
27 May 2021

Directors' Report for the Year ended 2 October 2020

Registered No: 07840752

The Directors present their report for the year ended 2 October 2020.

Results and dividends

The loss for the year after taxation amounted to £4,191,000. There was no reported profit or loss for the comparative period given the Company acquired its subsidiaries on 27 September 2019. The Directors do not recommend the payment of a dividend (2019: £nil).

Given the Company only acquired its subsidiaries on 27 September 2019, income statement related disclosure notes have not been presented for the comparative period, other than those required by the Companies Act 2006.

Principal activity

The Group collectively is a subsidiary of AECOM. AECOM is the world's premier infrastructure consulting firm, delivering professional services throughout the project lifecycle - from planning, design and engineering to program and construction management. On projects spanning transportation, buildings, water, energy and the environment, our public and private sector clients trust us to solve their more complex challenges. Our teams are driven by a common purpose to deliver a better world through our unrivalled technical expertise and innovation, a culture of equity, diversity and inclusion, and a commitment to environmental, social and governance priorities.

The Company's principal activity during the year under review was that of a holding company to several of the AECOM group trading entities. The Group's principal activity during the year was that of providing design and consultancy services to its UK and international customers.

The Group operates branches in Azerbaijan, Bahrain, Bulgaria, Dubai, Greece, Kuwait, Lithuania, Morocco, Poland, Qatar and Sri Lanka, whose results are included in the Group.

Financial instruments

The Group finances its activities through a combination of reinvestment of profits and, where necessary, borrowings provided by fellow group undertakings. Financial instruments such as trade receivables and trade payables arise directly from the Group's operating activities. Any risks associated with financial instruments are managed and reviewed at an AECOM group level although the Group itself does make use of natural hedging relationships where possible to manage foreign currency risks associated with operating activities.

Future developments

In common with 2020, growth is expected to continue to arise through a combination of local and overseas opportunities, winning and executing larger projects in partnership with fellow AECOM group companies across the globe. The Directors remain committed to driving down costs and improving efficiency across the business.

Recent heightened political and economic uncertainty in the UK infrastructure market has continued, and growth rates and market sentiment have been impacted by the on-going 'BREXIT' negotiations. Since the referendum decision in 2016, the Board have planned for the potential impact on the UK business. The Directors continue to monitor the implications of BREXIT following the signing of the EU trade deal on 24 December 2020, and the Directors believe that the Group has a robust strategy in place to minimise downside risk and capitalise on growth opportunities as they arise.

Directors' Report for the Year ended 2 October 2020 (continued)

Directors' of the group

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

DCW Barwell (resigned 30 July 2020)

CR McCall (resigned 30 October 2020)

WJC Quarterman (resigned 30 July 2020)

AR Barker (appointed 19 August 2020)

The following Director was appointed after the year end:

DJ Price (appointed 30 October 2020)

No Director has any interest in the shares of the Company or other interests that require disclosure under the Companies Act 2006.

Directors’ indemnity insurance is in place for all Directors, subject to the conditions set out in section 234 of the Companies Act 2006. Such indemnity insurance remains in force as at the date of approving the Directors’ Report.

Going concern

The Directors have received written confirmation of financial support, from the ultimate parent undertaking, for a period of 12 months from the date of approval of these consolidated financial statements.

The Group’s business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to risks and uncertainties are described in the Strategic Report. The Group has access to the considerable financial resources of the AECOM Group. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these consolidated financial statements.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the candidate’s particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group’s policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Directors recognise the individual importance of every employee and seek to ensure that at all times employees are well informed concerning the activities and plans of the Group.

All levels of management are expected and encouraged to keep their employees informed of all activities and developments in an informal and formal manner. Management consults with employees to ensure their views are taken into account through the use of newsletters, briefing groups and corporate communication systems. Employees are encouraged to invest in the future of the Group through Save As You Earn schemes.

Further details of the Group's engagement with employees can be found in the Strategic Report on page 5.

Directors' Report for the Year ended 2 October 2020 (continued)

Climate change and emissions reporting

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 introduced a requirement for large unquoted companies to publish an energy and carbon report within the Directors' Report to the financial statements, disclosing their energy use, greenhouse gas emissions, and related information. The Regulations act to implement the UK Government's policy on Streamlined Energy and Carbon Reporting (SECR), with the principal focus being:

• to increase awareness of energy costs within large and quoted organisations, including enhanced visibility to key decision makers;

• to create more of a level playing field among large organisations, in terms of energy and emissions reporting;

• to ensure administrative burdens associated with energy and emissions reporting are proportionate and broadly aligned to the existing energy reporting requirements and the business reporting framework;

• to provide organisations in scope with the right data to inform adoption of energy efficiency measures and opportunities to reduce their impact on climate change; and

• to provide greater transparency for investors, and other stakeholders.

The Group's energy use for the year ending 2 October 2020 is a total energy consumption across all AECOM UK sites, including transport and rented sites, of 16,778,621 kWh. When converted, this provides a total gross Scope 1 and Scope 2 emissions/ MtCO2e (metric tonnes of carbon dioxide equivalent) figure of 5,387.54 MtCO2e. See further disclosures as presented below:

Emissions and energy consumption

Summary of scope 1 (direct) greenhouse gas emissions for the period from 28 September 2019 to 2 October 2020:

	Category	Reporting region	Unit of measurement	2020 '000
Emissions from activities for which the Group own or control including combustion of fuel and operation of facilities	Transport	UK	MtCO2e	1,413
Emissions from activities for which the Group own or control including combustion of fuel and operation of facilities	Gas	UK	MtCO2e	233
				1,646

Directors' Report for the Year ended 2 October 2020 (continued)

Climate change and emissions reporting (continued)

Summary of scope 2 (indirect) greenhouse gas emissions for the period from 28 September 2019 to 2 October 2020:

	Category	Reporting region	Unit of measurement	2020 '000
Emissions from purchase of electricity, heat, steam and cooling purchased for own use	Transport	UK	MtCO2e	1,321
Emissions from purchase of electricity, heat, steam and cooling purchased for own use	Power	UK	MtCO2e	2,036
Emissions from purchase of electricity, heat, steam and cooling purchased for own use	Gas	UK	MtCO2e	384
				3,741

The total MtCO2e as disclosed above for scope 1 and 2 combined is 5,387.54, which when divided by the Group's turnover, equates to an intensity ratio for the current year of 0.0000073.

The total gross Scope 3 emissions/ MtCO2e (metric tonnes of carbon dioxide equivalent) relating to business travel in rental cars or employee owned vehicles, to include emissions consumed within the AECOM UK supply chain, were 286,115.14 MtCO2e.

The methodology used to calculate the above emissions is half hourly data, and all utility billing information for the required period. Management have reviewed the March 2019 HM Government Environmental Reporting Guidelines and the Carbon Trust September 2020 Conversion Factors when making the above disclosures.

During the financial year 2020, AECOM have used carbon offsets to reduce its emissions of carbon dioxide and other greenhouse gases within the business. This has resulted in a total figure of 7,673 tCO2e offset. Furthermore, during the year the Group introduced the following measures in an attempt to increase the Group's energy efficiency:

• 2020 LED lighting was installed in 5 offices to improve energy efficiency;

• AECOM UK joined the World Green Building Council's commitment challenges organisations to reach a net zero carbon footprint in operations for all assets under our direct control by 2030, and to advocate for all buildings to be net zero carbon in operation by 2050;

• AECOM also conducted a net zero office feasibility study on one of our owned offices, with the expertise of our building sustainability consultants to assess the potential to maximise energy efficiency. The recommendations of this study will be implemented to this and other offices during financial year 2021; and

• We have continued implementing our real estate consolidation strategy, closing 4 offices at contract expiry, making a further 6 offices inactive before contract expiry and reducing active space in 3 offices. For UK offices where we purchase energy direct, 100% of the energy is from green sources.

Directors' Report for the Year ended 2 October 2020 (continued)

Disclosure of information to the auditors

The Directors who were members of the board at the time of approving the Directors' Report and the Strategic Report are listed on page 1. Having made enquiries of fellow Directors and the Group's auditors, each of these Directors confirms that:

· So far as each person who was a Director at the date of approving this report is aware, there is no information (that is information needed by the Group's auditors in connection with preparing their report) of which the Group's auditors are unaware; and

· Each Director has taken all the steps that they are obliged to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board:

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AR Barker
Director
27 May 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group consolidated financial statements in accordance with international accounting standards and applicable law. The Directors have also chosen to prepare the Parent Company financial statements in accordance with international accounting standards and applicable law.

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 Group and the Parent Company and of the Group's profit or loss for that period.

In preparing the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in international accounting standards 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;
- for the Group consolidated financial statements and the Parent Company financial statements state whether applicable international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

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

Independent Auditor's Report to the Members of AECOM Design & Consulting Services UK Limited

Opinion

We have audited the financial statements of AECOM Design & Consulting Services UK Limited (‘the Parent Company’) and its subsidiaries (the ‘Group’) for the year ended 2 October 2020 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Cash Flows, the Group and Parent Company Statement of Changes in Equity and the related notes 1 to 33, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and the Parent Company's affairs as at 2 October 2020 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Independent Auditor's Report to the Members of AECOM Design & Consulting Services UK Limited (continued)

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

- adequate accounting records have not been kept 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.

Responsibilities of Directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 13, 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.

Independent Auditor's Report to the Members of AECOM Design & Consulting Services UK Limited (continued)

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 Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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David Wilson (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

27 May 2021

Consolidated Income Statement for the Year Ended 2 October 2020

	Note	2020 £ 000	2019 £ 000
Revenue	4	738,932	-
Cost of sales		(501,401)	-
Gross profit		237,531	-
Administrative expenses		(233,814)	-
Amortisation of intangible assets	12	(12,443)	-
Other operating income	5	5,419	-
Operating loss	6	(3,307)	-
Interest receivable and similar income	9	7,882	-
Interest payable and similar charges	10	(8,410)	-
Share of profit of joint venture	15	1,712	-
Other finance cost - pensions	26	(3,195)	-
Loss on ordinary activities before taxation		(5,318)	-
Tax income on (loss)/profit on ordinary activities	11	1,127	-
Loss for the financial year		(4,191)	-

There are no income statement results presented above for the comparative period as the underlying trading entities were only acquired on the last day of the 2019 financial period, hence there were no income statement results to consolidate.

All amounts relate to continuing operations.

Consolidated Statement of Comprehensive Income for the Year Ended 2 October 2020

	Note	2020 £ 000	2019 £ 000
Loss for the financial year		(4,191)	-
Other Comprehensive Income			
Actuarial gain/(loss) on defined benefit pension schemes	26	(36,542)	-
Exchange gain/(loss) on translation of branch balances		419	-
Tax income on items relating to components of other comprehensive income	11	10,888	-
Other Comprehensive Income, net of tax		(25,235)	-
Total Comprehensive Income for the year		(29,426)	-

There is no comprehensive income presented above for the comparative period owing to the fact that the acquisition of the underlying trading entities only took place on the last day of the 2019 accounting period.

Consolidated Statement of Changes in Equity for the Year Ended 2 October 2020

	Notes	Share capital £ 000	Share premium £ 000	Currency translation reserve £ 000	Retained earnings £ 000	Total £ 000
At 29 September 2018		-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	-
Issue of ordinary shares	24	-	375,000	-	-	375,000
At 27 September 2019		-	375,000	-	-	375,000

	Notes	Share capital £ 000	Share premium £ 000	Currency translation reserve £ 000	Retained earnings £ 000	Total £ 000
At 28 September 2019		-	375,000	-	-	375,000
Change in Accounting Policy	3.2	-	-	-	(2,708)	(2,708)
At 28 September 2019 (As restated)		-	375,000	-	(2,708)	372,292
Loss for the year		-	-	-	(4,191)	(4,191)
Other comprehensive income		-	-	419	(25,654)	(25,235)
Deferred tax effect of share based payments		-	-	-	320	320
At 2 October 2020		-	375,000	419	(32,233)	343,186

Prior to adoption of IFRS 16 - Leases and recording the transition adjustment of £2,708,000, as presented above, the Group had retained earnings of £nil as at 28 September 2019, owing to the fact that the Group was formed on 27 September 2019, the last day of fiscal year 2019. Therefore, there was no profit or loss recorded in the prior period. The transition adjustment presented above primarily relates to differences between the initial measurement of right of use assets and lease liabilities arising from a day 1 impairment review.

Company Statement of Changes in Equity for the Year Ended 2 October 2020

	Notes	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 29 September 2018		-	-	-	-
Total comprehensive income for the year		-	-	-	-
Issue of ordinary shares	24	-	375,000	-	375,000
At 27 September 2019		-	375,000	-	375,000

	Notes	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 28 September 2019		-	375,000	-	375,000
Total comprehensive income for the year		-	-	(1,633)	(1,633)
At 2 October 2020		-	375,000	(1,633)	373,367

The notes on pages 26 to 105 form an integral part of these financial statements.

Consolidated Statement of Financial Position as at 2 October 2020

	Note	2020 £ 000	2019 £ 000
Assets			
Non current assets			
Intangible assets	12	294,629	309,416
Property, plant and equipment	13	19,351	24,308
Right of use assets	14	70,017	-
Investments	15	1,043	921
Deferred tax assets	11	58,854	45,067
Defined benefit pension plan surplus	26	31,986	21,546
Investments - loans to group undertakings	18	21,105	-
Corporation tax receivable		5,458	4,225
Other receivables	19	1,560	1,697
Total non current assets		504,003	407,180
Current assets			
Inventory	16	-	552
Trade and other receivables	17	508,555	528,110
Cash and cash equivalents		28,150	12,547
Total current assets		536,705	541,209
Total assets		1,040,708	948,389
Current liabilities			
Trade and other payables	20	313,585	292,601
Total current liabilities		313,585	292,601
Non current liabilities			
Trade and other payables	21	126,179	53,995
Provisions	23	8,208	7,469
Defined benefit pension plan deficit	26	249,550	219,324
Total non current liabilities		383,937	280,788
Total liabilities		697,522	573,389
Capital and reserves			
Called up share capital	24	-	-
Share premium	24	375,000	375,000
Currency translation reserve		419	-
Accumulated losses		(32,233)	-
Total equity		343,186	375,000
Total liabilities and equity		1,040,708	948,389

The notes on pages 26 to 105 form an integral part of these financial statements.

Consolidated Statement of Financial Position as at 2 October 2020 (continued)

These financial statements were approved by the Board on 27 May 2021 and signed on its behalf by:

....
AR Barker
Director

Company Statement of Financial Position as at 2 October 2020

	Note	2020 £ 000	2019 £ 000
Assets			
Non current assets			
Investments	15	425,000	425,000
Total non current assets		425,000	425,000
Total assets		425,000	425,000
Non current liabilities			
Trade and other payables	21	51,633	50,000
Total non current liabilities		51,633	50,000
Capital and reserves			
Called up share capital	24	-	-
Share premium	24	375,000	375,000
Accumulated losses		(1,633)	-
Total equity		373,367	375,000
Total liabilities and equity		425,000	425,000

The Directors have taken the exemption provided by Section 408 of the Companies Act 2006 and have not presented an Income Statement for the Company. The loss for the year of the Company was £1,633,000 (2019: £nil).

Approved by the Board on 27 May 2021 and signed on its behalf by:

....

AR Barker
Director

Consolidated Statement of Cash Flows for the Year Ended 2 October 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Cash generated from operations	29	**42,367**	-
Taxation paid		**(388)**	-
Net cash from/(used in) operating activities		**41,979**	-
Cash flows from investing activities			
Interest received		**2**	-
Purchase of property plant and equipment		**(8,080)**	-
Disposal of property plant and equipment		**565**	-
Purchase of intangible fixed assets		**(154)**	-
Cash inflow from business acquisition		**-**	12,547
Net cash (used in)/from investing activities		**(7,667)**	12,547
Cash flows from financing activities			
Interest paid		**(28)**	-
Payments made in relation to finance leases		**(18,681)**	-
Net cash from / (used in) financing activities		**(18,709)**	-
Net increase in cash and cash equivalents		**15,603**	12,547
Cash and cash equivalents at the beginning of the year		**12,547**	-
Cash and cash equivalents at the end of the year		**28,150**	12,547

Within the reported cash balance there is £15,342,000 (2019: £5,181,000) of restricted cash.

Company Statement of Cash Flows for the Year Ended 2 October 2020

	Note	2020 £ 000	2019 £ 000
Cash flows from operating activities			
Cash generated from operations	29	-	-
Net cash from/(used in) operating activities		-	-
Cash flows from investing activities			
Proceeds received for loan from group undertakings		-	(50,000)
Net cash used in investing activities		-	(50,000)
Cash flows from financing activities			
Loans received from group undertakings		-	50,000
Net cash from financing activities		-	50,000
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

The notes on pages 26 to 105 form an integral part of these financial statements.

Notes to the Financial Statements
At 2 October 2020

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of AECOM Design & Consulting Services UK Limited and its subsidiaries (collectively, the Group) for the year ended 2 October 2020 were authorised for issue by the Board on 27 May 2021 and the Group and Company Statements of Financial Position were signed on the Board's behalf by AR Barker. The Company is incorporated and domiciled in England and Wales.

These consolidated financial statements of the Group were prepared in accordance with international accounting standards and applicable law. The Parent Company financial statements were prepared in accordance with international accounting standards and applicable law.

Owing to the fact that the acquisition of the underlying trading entities only took place on the last day of the 2019 accounting period, income statement related disclosure notes have not been presented for the comparative period, other than those required by the Companies Act 2006.

The consolidated financial statements of the Group are presented in Sterling (£), which is also the Parent Company's functional currency, and all values are rounded to the nearest thousand pounds (£ 000) except when otherwise indicated.

The results of the Group are included in the consolidated financial statements of AECOM which are available from 300 South Grand Avenue, 9th Floor, Los Angeles, California, 90071, United States of America. This is the smallest and largest group of which the Parent Company is a member and for which consolidated financial statements are prepared.

The principal accounting policies adopted in the consolidated financial statements are set out in note 3.

2 Judgements and key sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of the estimation means the actual outcomes could differ from those estimates.

The following are the judgements and estimates that have had the most significant impact on amounts recognised in the consolidated financial statements. The sections below containing estimates are specifically the discounting future lease payments section (incremental borrowing rate), goodwill, other intangible assets and investments (where there are estimates inherent within the models used to evaluate recoverable value for impairment considerations), revenue recognition (percent complete calculations), and pension benefits (involving actuarial estimates and assumptions). All other sections are considered to be judgements.

(a) Lease accounting

Lease Term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

2 Judgements and key sources of estimation uncertainty (continued)

(a) Lease accounting (continued)

For leases of offices, equipment and motor vehicles, the following factors are normally the most relevant:
• If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
• If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 2 October 2020, potential future cash outflows (undiscounted) that were not included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated), were not significant.

Discounting future lease payments

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The Group's incremental borrowing rates range between 4.33%-4.58% translating to an average rate of 4.49%.

Sublease assumptions on exited properties

When the Group commits to exiting a property, in determining the fair value of right of use asset, the Group explores the viability of subleasing. There is an expectation that where the lease term runs for a further two years or more, it is realistic to recover some value via a sublease, contract permitting. An external Broker’s Opinion of Value is obtained, from which the Group assesses the cited market rate per square foot, likely marketing void period and other commercial terms specific to the property. These factors are then taken into account to calculate any resulting impairment where the calculated fair value is less than the carrying value of the right of use asset.

(b) Goodwill

The Group has indefinite lived non-financial assets in the form of goodwill. The Group determines on an annual basis whether there are any conditions, either internal or external to the Group, that may indicate that the carrying value of goodwill is impaired and whether a full impairment exercise is required to be carried out.

Where indications of impairment exist regarding the carrying value of goodwill, the carrying value of goodwill is supported by models used to calculate the enterprise value of the underlying businesses. These models have a range of inputs including revenue growth and discount rates which are subject to significant uncertainty. Further details are given in note 12.

Notes to the Financial Statements
At 2 October 2020 (continued)

2 Judgements and key sources of estimation uncertainty (continued)

(c) Other intangible assets

The Group has non current non-financial assets in the form of other intangible assets. Other intangible assets comprise of backlog, customer relationships, favourable leaseholds and an amount paid in respect of a collaboration agreement entered into with a leading construction party. The Group determines on an annual basis whether there are any conditions, either internal or external to the Group, that may indicate that the carrying value of other intangible assets is impaired and whether a full impairment exercise is required to be carried out.

Where indications of impairment exist regarding the carrying value of other intangible assets, the carrying value of other intangible assets is supported by models used to calculate the enterprise value of the underlying businesses. These models have a range of inputs including revenue growth and discount rates which are subject to significant uncertainty. Further details are given in note 12.

(d) Investments

The Parent Company has non-current assets in the form of investments in subsidiaries. The Parent Company determines on an annual basis whether there are any conditions, either internal or external to the Company, that may indicate that the carrying value of any those assets is impaired and whether a full impairment exercise is required to be carried out.

Where indications of impairment exist, the carrying value of certain investments is supported by models used to calculate the enterprise value of the underlying businesses. These models have a range of inputs including revenue growth and discount rates which are subject to significant uncertainty.

(e) Revenue recognition

The percentage of completion method and the determination of revenues to recognise on claims and variations to contracts are reliant on estimates, in particular in respect of future expected costs and revenues. Furthermore, the assessment of what is a performance obligation and of when the Group recognises revenue as a performance obligation is satisfied, is considered a key judgement by management. The Group reviews the appropriateness of assumptions made on a regular basis.

(f) Pension benefits

The carrying values of liabilities associated with defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 26.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies

3.1 Basis of preparation

These Group consolidated financial statements were prepared in accordance with international accounting standards and applicable law and under historical cost accounting rules for all periods presented, unless otherwise stated. The Parent Company financial statements were prepared in accordance with international accounting standards and applicable law and under historical cost accounting rules for all years presented, unless otherwise stated.

The financial statements provide comparative information in respect of the previous period, in which accounting policies have been consistently applied, however, no numbers are presented in the comparative income statement information given the fact that the Group did not exist before 27 September 2019, and the Parent Company was dormant before 27 September 2019.

The financial statements have been prepared on a going concern basis. The Group has forecast sufficient cashflows for a period of 12 months from the issuance date of these consolidated financial statements to enable it to meet its liabilities as they fall due. Note 3.5 sets out the Directors' considerations on the ongoing impact of COVID-19 and why, as a result of those considerations, they continue to adopt the gong concern basis in preparing these consolidated financial statements.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 2 October 2020.

3.2 New and amended standards and interpretations

The Group applied IFRS 16 - Leases for the first time in this period. The nature and effect of the changes as a result of adoption of IFRS 16 is described below.

Several other standards, amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16

The Group adopted IFRS 16 retrospectively from 28 September 2019, using the modified retrospective approach, which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

3 Significant accounting policies (continued)

3.2 New and amended standards and interpretations (continued)

IFRS 16 (continued)

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17, i.e. all leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases are now required to be presented 'on balance sheet'. For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application, taking into consideration any lease payments made at or before the commencement date less any lease incentives received.

For operating leases, rentals which would have previously been expensed in the Consolidated Income Statement on a straight line basis, net of incentives received, are now replaced with depreciation on the right of use asset and interest on the lease liability.

Lessor accounting under IFRS 16 is substantially unchanged from existing accounting under IAS 17. The Group has elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group has elected to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. In assessing each lease term on transition, the Group used hindsight to determine which contracts exercised options to extend or terminate the lease.

The Group has adopted IFRS 16 retrospectively from 28 September 2019, using the modified retrospective approach, and the cumulative effect of applying the new guidance was recorded as a reduction in retained earnings as at 28 September 2019. The adjustment primarily related to differences between the initial measurement of right of use assets and lease liabilities arising from a day 1 impairment review. Any lease contracts that were already assessed as being onerous were not subject to a further impairment review on transition. Day 1 lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition. The weighted average incremental borrowing rate at date of transition was 4.49%. Initial direct costs were excluded from the measurement of the right of use asset on transition.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.2 New and amended standards and interpretations (continued)

IFRS 16 (continued)

The following table shows the difference between the operating lease commitments of the Group as disclosed under IAS 17 as at 27 September 2019 and the lease liabilities recognised at the date of initial application under IFRS 16:

	As originally reported 2019 £ 000
Operating lease commitments at 27 September 2019	79,424
Operating lease commitments discounted at the incremental borrowing rate	59,412
Less: Short term and low value leases not recognised as a liability	(386)
Contracts reassessed as service agreements	(15,704)
Adjustments resulting from the different treatment of extension and termination options	35,143
Add finance lease liabilities recognised as at 27 September 2019	7,156
Other adjustments	805
Lease liabilities recognised at 28 September 2019	86,426
Of which:	
Current	12,394
Non-current	74,032
	86,426

The adjustment above for contracts reassessed as service agreements is as a result of operating lease commitments as at 27 September 2019 including service charge costs, whereas IFRS 16 excludes these in the measurement of the lease liability.

Adjustments resulting from the different treatment of extension and termination options above are caused by operating lease commitments as at 27 September 2019 only including commitments up to the earliest break clause option within a lease, where any such clause existed. IFRS 16 measures the lease liability to the end of the lease term irrespective of the existence of any such termination options.

The following table shows the adjustments recognised for each individual line item. Line items that were not impacted by the changes have not been included:

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.2 New and amended standards and interpretations (continued)

IFRS 16 (continued)

	27 September 2019 (as originally presented)	IFRS 16	28 September 2019 (restated)
	£ 000	£ 000	£ 000
Non current assets			
Property, plant and equipment (previously called Tangible assets)	24,308	(7,144)	17,164
Right of use assets	-	80,670	80,670
Intangible assets	309,416	(2,498)	306,918
Current assets			
Trade and other receivables	528,110	(3,084)	525,026
Total Assets	948,389	67,944	1,016,333
Current liabilities			
Trade and other payables (previously called Trade and other payables: amount falling due within one year)	292,601	1,274	293,875
Non current liabilities			
Trade and other payables (previously called Trade and other payables: amount falling due within one year)	53,995	69,378	123,373
Capital and reserves			
Retained earnings	-	(2,708)	(2,708)
Total liabilities and equity	948,389	67,944	1,016,333

Individual line items were impacted as follows:

• Property, plant and equipment - to reclassify computer equipment assets previously held under finance leases, within right of use assets;
• Right of use assets - to reflect leases previously classified as operating leases, equal to the present value of remaining lease payments, net of prepayments and/ or deferred rent;

3 Significant accounting policies (continued)

3.2 New and amended standards and interpretations (continued)

IFRS 16 (continued)

• Intangible assets - to reclassify favourable leaseholds recognised as part of the acquisition of the Group completed on 27 September 2019, out of intangible assets and into right of use assets on transition to IFRS 16, since the acquisition accounting occurred prior to the adoption of IFRS16;
• Debtors - to reclassify prepayments within right of use assets, net of deferred tax recognised on the day 1impairment taken through opening retained earnings on transition;
• Creditors: amounts falling due within one year - to reflect leases previously classified as operating leases, equal to the present value of remaining lease payments and to reclassify deferred rent within right of use assets;
• Creditors: amounts falling after one year - to reflect leases previously classified as operating leases, equal to the present value of remaining lease payments; and
• Retained earnings - to reflect day 1 impairments taken on adoption of IFRS 16 using the modified retrospective approach.

3.3 Standards issued but not yet effective

There are no new standards, amendments, or interpretations that are issued but not yet effective up to the date of issuance of the Group's consolidated financial statements that would be expected to have a material impact on the Group in the current or future reporting periods, and on foreseeable future transactions. As a result, the Group intends to adopt any new and amended standards and interpretations, if applicable, when they become effective.

3.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 2 October 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

• Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

• Exposure, or rights, to variable returns from its involvement with the investee; and

• The ability to use its power over the investee to affect its returns.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.4 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

• The contractual arrangement(s) with the other vote holders of the investee;

• Rights arising from other contractual arrangements; and

• The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to any non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

• Derecognises the assets (including goodwill) and liabilities of the subsidiary;

• Derecognises the carrying amount of any non-controlling interest;

• Derecognises the cumulative translation differences, recorded in equity;

• Recognises the fair value of the consideration received;

• Recognises the fair value of any investment retained;

• Recognises any surplus or deficit in profit or loss; and

• Reclassifies the Parent Company's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.4 Basis of consolidation (continued)

Composition of the Group

The consolidated financial statements of the Group include:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
AECOM Limited	Design & Consulting Services	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
AECOM Infrastructure & Environment UK Limited	Design & Consulting Services	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
Maunsell Structural Plastics Limited *	Intellectual Property	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
AKT JV Limited *	Dormant Company	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	95%	95%
AECOM Environmental Services Limited *	Construction Services	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
AECOM (Montenegro) d o o *	Dormant Company	BULEVAR DŽORDŽA VAŠINGTONA BR.51, Podgorica, Montenegro	100%	100%
Bullen Consultants Limited *	Dormant Company	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
Gault & Chambers Bullen Limited *	Dormant Company	9th Floor, The Clarence West Building, 2 Clarence Street West, Belfast, BT2 7GP	100%	100%

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.4 Basis of consolidation (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Mulholland & Doherty Limited *	Dormant Company	9th Floor, The Clarence West, Building, 2 Clarence Street, West, Belfast, BT2 7GP UK	100%	100%
AECOM Pension Trustee Limited *	Dormant Company	AECOM House, 63-77AECOM House, 63-77, Victoria Street, St Albans, Hertfordshire, AL1 3ER, UK	100%	100%
URS Scott Wilson India Private Limited *	Design & Consulting Services	Flat No. 513, Vishwadeep Tower, District Centre, Janakpuri, New Delhi, West Delhi, Delhi 11058, India	100%	100%
AECOM Srbija d o o *	Engineering Consulting	Dragiše Brašovana 1, Belgrade-Novi Beograd, Beograd-Novi Beo, Serbia	100%	100%
Scott Wilson Maroc SARL-AU *	Engineering Consulting	N°9 rue Arryad, Appt. N°5 – Hassan, Rabat, Morocco	100%	100%
Scott Wilson Eastern Africa Limited *	Engineering Consulting	Upperhill, Building: Lr No 209/11260, Kenya-Re Towers, Nairobi, Kenya	100%	100%
Scott Wilson Central Asia LLP *	Engineering Consulting	134 Dostyk Avenue, Almaty 050051, Kazakhstan	100%	100%
Ferguson & McIlveen Holdings Limited *	Holding Company	Beechill House, Beechill Road, Belfast, BT8 7RP, UK	100%	100%
Ferguson McIlveen Consultants Limited *	Dormant Company	70 Sir John Rogerson's Quay, Dublin 2, Ireland, D02R296	100%	100%
INNO MMC Limted	Dormant Company	Aldgate Tower, 2 Leman Street, London, E1 8FA, UK UK	100%	0%

* These are indirect subsidiaries of the Company.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.4 Basis of consolidation (continued)

On 26 April 2021 the Parent Company sold it's investment in INNO MMC Limted externally to the Group. The investment had a carrying value of £1 and was sold for the same amount, therefore there willl be no gain or loss recognised on disposal.

AECOM International Holdings UK Limited, an entity incorporated in England and Wales, was the immediate holding company and parent of the Group until 27 January 2020. On 27 January 2020 the immediate parent of the Company changed to AECOM Intercontinental Holdings UK Limited.

The Group's ultimate parent undertaking is AECOM which is incorporated in the United States of America. The Group's results are included within the consolidated financial statements of AECOM which are publicly available from 300 South Grand Avenue, 9th Floor, Los Angeles, California, 90071, United States of America.

3.5 Going concern

The Board are required to consider the availability of resources to meet the Group's and the Company's liabilities for a period of twelve months from the date of approval of these financial statements.

The Group has net current assets of £223.1 million and net assets of £343.2 million. The Group has cash and cash equivalents of £69.6 million, inclusive of a net deposit balance held on its credit facilities made available from fellow subsidiary undertaking, AECOM Global Ireland Services Limited, as part of a group-wide treasury function.

The Directors have received written confirmation of financial support, from the ultimate parent undertaking, AECOM, for a period of 12 months from the date of approval of the financial statements. When performing the going concern assessment, the Board have considered that there has been a global outbreak of COVID-19 which the World Health Organization declared a "Public Health Emergency of International Concern". The impact associated with this public health emergency, has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Across the globe, the general uncertainty surrounding the dangers and impact of COVID-19, are creating significant disruption in supply chains and economic activity and is having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. The impact of COVID-19 has led to significant volatility and declines in the global public equity markets and it is uncertain how long this volatility will continue. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

For the AECOM Group, the most significant potential impact on financial results and cashflows resulting from COVID-19 is in relation to project delivery, however the Group has not experienced any material project cancellations to date, with most of its projects having been deemed essential and therefore continuing to progress.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.5 Going concern (continued)

In preparing a cash flow forecast to support the going concern assessment, considering the Group is part of a Group-wide treasury function, the Board has assessed whether the Group will be able to meet its liabilities as and when they fall due for a period of twelve months from the date of approval of the Group's financial statements. The Board acknowledges the general uncertainty provided by COVID-19 and as such has obtained a written confirmation of financial support from its ultimate parent undertaking, AECOM for a period of 12 months from the date of approval of these financial statements. The Directors, having made the relevant enquiries and having reviewed the AECOM's publicly available financial position in its latest Q2 2021 filings, indicating that the AECOM Group is in a strong financial position with significant amounts of liquid assets available, are therefore satisfied that the ultimate parent undertaking has adequate resources to provide any support to the Group if it is needed. As at 31 March 2021, AECOM, as per its Form 10Q for the half year ended 31 March 2021, had $935 million of cash and cash equivalents, and $1.1 billion of undrawn revolving credit facility.

As a result the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

3.6 Revenue and contracts

Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Recognition of revenue and profit is dependent upon a number of factors, including the accuracy of a variety of estimates made at the balance sheet date (e.g. engineering progress, material quantities, the achievement of milestones, penalty provisions, labour productivity and cost estimates). Ultimately, the Group recognises revenue when performance obligations have been satisfied, over time. Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the standalone selling prices. Where these are not directly observable, they are based on expected cost plus margin.

The timing of satisfaction of performance obligations does not always directly correspond with the timing of receipt of payment from customers, which could be paid in advance, paid in arrears, or be based on milestone achievements.

Additionally, the Group is required to make estimates for the amount of consideration to be received, including bonuses, awards, incentive fees, claims, unpriced change orders, penalties and liquidated damages. Variable consideration is included in the estimate of the transaction price only to the extent that a significant reversal would not be highly probable.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.6 Revenue and contracts (continued)

Revenue predominantly relates to the provision of services. The main types of service contracts are:

(a) Fixed price contracts

Fixed price contracts principally relate to lump sum contracts. Under lump sum contracts, the Group performs all of the work under the contract for a specified fee. Lump sum contracts are typically subject to price adjustments if the scope of the project changes or unforeseen conditions arise.

Revenue is recognised over time using the percentage completion method, as the customer receives and uses the benefits of the service simultaneously. Percentage of completion is measured by reference to total costs incurred to date to fulfil performance obligations as a percentage of the total costs expected to be incurred over the life of the contract. If the estimated total costs on a contract indicate a loss on a project, the loss is recognised as soon as it is foreseen.

Estimates of revenues, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the Income Statement in the period in which the circumstances that give rise to the revision become known by management.

(b) Cost reimbursable contracts

Cost reimbursable contracts include cost-plus fixed fee, cost plus fixed rate, and time and materials price contracts. Under cost plus contracts, the Group charges clients for its costs, including both direct and indirect costs, plus a negotiated fee or rate. The Group recognises revenue over time based on actual direct costs incurred to fulfil performance obligations and the applicable fixed rate or portion of the fixed fee earned as of the reporting date. Revenue is recognised over time using the percentage completion method, unless the contract is a pure service contract whereby revenue is recognised over time equal to the amounts billed to the client, commensurate with the Group's performance completed and invoiced to date.

Under time and materials price contracts, the Group negotiates hourly billing rates and charges its clients based on the actual time that it expends on a project. In addition, clients reimburse the Group for materials and other direct incidental expenditures incurred in connection with its performance under the contract.

Provision is made for losses in full as soon as they are foreseen.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.6 Revenue and contracts (continued)

Contract modifications
Contract modifications such as those related to additional orders or changes in price or scope (or both), are common. A contract modification is treated as a separate contract when the scope of the contract increases due to the addition of promised goods or services which are distinct and where the price of the contract is raised by an amount reflecting the Group's stand-alone selling price for the additional goods or services promised. In most cases the added goods or services are not distinct and therefore form part of a single performance obligation that is partially met at the time of the contract modification. As a result, this is reported as being a part of the existing contract.

Contract assets and liabilities
Where revenue, on a contract by contract basis, exceeds amounts invoiced or where goods or services are transferred to the customer before the customer pays consideration (or before payment is due), the excess is classified as amounts recoverable on contracts and included in receivables (contract asset). Where amounts invoiced, on a contract by contract basis, exceed revenue or where the Group has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration, the excess is classified as payments on account and included in payables (contract liability).

3.7 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised in income in equal amounts over the expected useful life of the related asset.

3.8 Other income and expense

(a) Interest receivable and payable

Interest income and expense is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

When a loan or receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(b) Dividend income

Income is recognised when the Group's right to receive payment is established.

3 Significant accounting policies (continued)

3.9 Intangible assets

(a) **Business combination and goodwill**

Business combinations, including those under common control, are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost being the excess of the cost of the acquisition over the net identifiable amounts of the assets acquired and liabilities assumed in exchange for the business combination. After initial recognition, goodwill is recognised at cost less any accumulated impairment losses. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group’s cash-generating units that are expected to benefit from the combination.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over its estimated useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Group does not amortise goodwill, but reviews it for impairment on an annual basis.

(b) **Other intangible assets**

Externally acquired intangible assets are initially measured at cost or the acquisition date fair value where intangible assets have been identified as part of a business combination.

The useful lives of intangible assets are assessed to be either finite or indefinite. Indefinite lived assets are reviewed for impairment whenever events or circumstances indicate the assets may be impaired and at the year end. Finite lived assets are amortised over their useful economic lives and reviewed for impairment whenever events or circumstances indicate the assets may be impaired. The periods used are:

Backlog - 4 years
Customer relationships - 5 - 10 years
Software and licenses - 3 - 15 years
Favourable leaseholds - 3 years

Amortisation of other intangible assets is included in administrative expenses in the Consolidated Income Statement.

Other intangible assets include components of businesses and assets acquired, made up of backlog, customer relationships, favourable leaseholds and an amount paid in respect of a collaboration agreement entered into with a leading construction party.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.9 Intangible assets (continued)

(c) Research and development costs

Research and development costs are expensed as incurred. Development expenditures are recognised as an intangible asset when the Group can demonstrate:

• The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
• Its intention to complete and its ability and intention to use or sell the asset;
• How the asset will generate future economic benefits;
• The availability of resources to complete the asset; and
• The ability to measure reliably the expenditure during development.

3.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost comprises the aggregate amount paid and includes costs directly attributable to making the asset capable of operating as intended. Depreciation is calculated to write down the cost or valuation less estimated residual value of all property, plant and equipment over their expected useful lives. The rates and periods used are:

Fixtures, fittings, tools and equipment - 3 to 7 years
Computer equipment - 3 to 5 years
Freehold buildings - 30 years
Motor vehicles - 5 years
Leasehold property and improvements - shorter of 10 years and the term of the lease

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required, these are made prospectively.

3 Significant accounting policies (continued)

3.11 Investments

The Group has investments in joint ventures, associates and joint operations and the Parent Company has investments in subsidiaries. Long term loans to fellow group undertakings are also classified as investments.

Investments in subsidiaries and associates are carried at historical cost less accumulated impairment losses, where applicable. Interests in joint ventures are recognised as investments using the equity method of accounting for the results of those joint ventures.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

For joint operations, the Group's share of the results, assets and liabilities of contracts carried out in conjunction with another party are included under each relevant headings in the consolidated Income Statement and Consolidated Statement of Financial Position.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method of accounting for investments in joint ventures, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The Consolidated Income Statement reflects the Group’s share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Group’s other comprehensive income, where applicable. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the Consolidated Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture (again, where applicable).

The financial statements of subsidiaries, associates and joint ventures are prepared for the same reporting period as the Group, although when necessary, adjustments are made to bring the accounting policies in line with those of the Group where this may occur.

3 Significant accounting policies (continued)

3.11 Investments (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in associates and joint ventures. At each reporting date, the Group determines whether there is objective evidence that its investments in associates or joint ventures are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within the Consolidated Income Statement.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in the Consolidated Income Statement.

3.12 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods comprises direct materials and, where applicable, direct labour costs and other direct costs. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the Income Statement.

3.13 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to note 3.20.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.14 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount in order to determine the existence and extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the Consolidated Income Statement.

For assets where an impairment loss subsequently reverses (other than goodwill), the carrying amount of the asset or cash generating unit is increased to the revised estimate of the recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment losses been recognised for the asset or cash-generating unit in the prior years. A reversal of impairment loss is recognised immediately in the Consolidated Income Statement.

3.15 Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

Deferred taxation is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date. Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply when the related asset or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited to equity if it relates to items that are charged or credited direct to equity. Otherwise income tax is recognised in the Consolidated Income Statement.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.16 Foreign currencies

The Group's financial statements are presented in sterling which is also the Group's functional currency. Transactions in foreign currencies are initially recorded into the Group's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the reporting date with exchange gains and losses dealt with through the Income Statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Exchange differences arising on the re-translation of results of foreign operations in the Group's functional currency are taken to other comprehensive income.

3.17 Leases

On 28 September 2019 the Group adopted IFRS 16 on a modified retrospective basis, which amended the accounting treatment of leases. Accordingly, the Group applied the new guidance as of the date of adoption with a cumulative-effect adjustment recorded through retained earnings. Prior periods have not been restated as a result of the adoption. The impact of the change is further explained in note 3.2.

Adoption of the new lease guidance did not significantly change the Group's accounting for finance leases, or its accounting as a lessor. Until the 2019 financial year, leases of property, plant and equipment held by the subsidiaries of the Parent Company were classified as either finance leases or operating leases. From 28 September 2019, that continues to be the case, however in practice all leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The Group leases offices, plant and equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options. Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in creditors: amounts falling due within one year and the long-term component is included in creditors: amounts falling due after more than one year.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Similarly, leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. For operating leases the rental charge in the profit or loss account is now replaced by depreciation on the right of use asset and interest on the lease liability, aligned to the current accounting treatment for finance leases. Rental obligations, net of finance charges, are included in creditors: amounts falling due within one year and the long-term component is included in creditors: amounts falling due after more than one year.

3 Significant accounting policies (continued)

3.17 Leases (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. For leases with the exception of real estate (real estate being the major leasing activity of the Group), it has elected not to separate lease and non-lease components and instead the Group accounts for these as a single lease component.

Where assets and liabilities arising from a lease are initially measured on a present value basis, this includes the following:

• Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
• Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date; and
• Any amounts expected to be payable by the Group under residual value guarantees, purchase options (if the Group is reasonably certain to exercise that option), or lease termination penalties.

Lease payments are discounted using the interest rate implicit in the lease or the lessee’s incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

• The amount of the initial measurement of lease liability; and
• Any initial direct costs.

Right of use assets are included on the balance sheet according to the nature of the underlying asset. Right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and a corresponding adjustment is made against the right of use asset.

The Group has elected that payments associated with short-term leases and all leases of low value assets continue to be recognised on a straight-line basis as an expense in the Consolidated Income Statement. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor, net of any incentives granted, is recognised as income in the Consolidated Income Statement on a straight-line basis over the period of the sublease term.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.18 Pensions

The Group operates a number of defined benefit pension plans, all of which require contributions to be made to separately administered funds. The plans have all been closed to new members for several years. At the close of each scheme, membership of a defined contribution plan was offered to those affected.

The Group also operates, through its Indian subsidiary URS Scott Wilson India Private Limited, two other retirement benefit schemes, being a gratuity fund and a leave encashment fund.

The cost of providing benefits under the defined benefit plans and other retirement schemes is determined separately for each plan/ scheme using the projected unit method, which attributes entitlements to benefits to the current period (to determine current service costs) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. Past service costs are recognised in the Consolidated Income Statement. When a settlement or curtailment occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss recognised in the Consolidated Income Statement during the period in which the settlement or curtailment occurs.

Net interest is calculated by applying the discount rate to the net defined benefit pension asset or liability, as determined at the start of the annual reporting period, taking into account changes in the net defined benefit pension liability during the period as a result of contributions and benefit payments. The net interest is recognised in the Consolidated Income Statement as other finance income or expense.

Re-measurements, comprising actuarial gains and losses and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The defined benefit pension asset or liability in the Consolidated Statement of Financial Position comprises the total for each plan/ retirement benefit scheme of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is restricted to the present value of any amount the Group expects to recover by way of refunds from the plan or reductions in the future contributions.

The Group also operates a number of defined contribution plans. The contributions are charged to the Consolidated Income Statement as they become payable in accordance with the rules of the plans.

3 Significant accounting policies (continued)

3.19 Equity settled share-based payments

The cost of equity settled transactions with employees, including Save As You Earn schemes, is measured by reference to the fair value at the date at which they are granted and is recognised as an expense via management recharge over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using an appropriate pricing model unless the awards have no exercise price in which case fair value is taken to be the market value of the underlying shares at the grant date. In determining fair value, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the ultimate parent (market conditions).

No expense is recognised for awards that do not ultimately vest.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the Consolidated Income Statement with the amount recharged by the ultimate parent undertaking, AECOM, through management recharges.

Where the terms of an equity settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both measured on the date of the modification. No reduction is recognised if this difference is negative.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.20 Trade receivables, other receivables and amounts owed by group undertakings

Trade and other receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is not material, receivables are carried at amortised cost. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and days past due. The contract assets relate to amounts recoverable on contracts and have substantially the same risk characteristics as trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Amounts owed by group undertakings are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is not material, receivables are carried at amortised cost. To measure the expected credit losses, the Group assesses recoverability at each reporting period end date using historical experience and depending on whether those receivables are due on demand (12 month expected loss allowance), or where not due on demand, whether a significant increase in credit risk has occurred since original recognition of the instrument (lifetime expected loss allowance).

3.21 Financial instruments

(a) Financial assets

Recognition and measurement

Financial assets within the scope of IFRS 9 are classified as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, or financial assets at amortised cost. The classification depends on the purpose for which the financial assets were acquired. The Group recognises financial assets in the Consolidated Statement of Financial Position when, and only when, it becomes party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

The Group’s financial assets include trade receivables, cash, amounts recoverable on contracts and amounts owed by group undertakings. All financial assets are recognised initially at fair value plus directly attributable transaction costs, then subsequently measured at amortised cost using the effective interest (EIR) method, less any impairment, or at fair value.

As the Group’s financial assets are all held within a business model whose objective is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest, all are classified as financial assets at amortised cost.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.21 Financial instruments (continued)

(a) Financial assets (continued)

Derecognition
The Group derecognises a financial asset when:

• the contractual rights to the cash flows from the asset expire;

• it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the asset are transferred; or

• the Group neither retains nor transfers substantially all of the risks and rewards of ownership and it does not retain control of the asset.

(b) Financial liabilities

Recognition and measurement
Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss or financial liabilities at amortised cost. The Group recognises financial liabilities in the Consolidated Statement of Financial Position when, and only when, it becomes party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

The Group's financial liabilities include trade payables and amounts owed by group undertakings. All financial liabilities are recognised initially at fair value, plus directly attributable transaction costs, then subsequently measured at amortised cost using the effective interest method.

Derecognition
The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

(c) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the Consolidated Statement of Financial Position if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.22 Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, if it is considered probable that an outflow of economic benefits will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the Consolidated Income Statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance expense.

Notes to the Financial Statements
At 2 October 2020 (continued)

3 Significant accounting policies (continued)

3.23 Cash and cash equivalents

Cash comprises cash on hand and on demand deposits with a maturity date of 3 months or less. The Group's cash is held across different accounts and jurisdictions. The main cash balances are held in the UK. Certain balances within cash are considered restricted as they relate to project bank accounts whereby the management of such cash is governed by a Trust Deed, meaning that whilst the cash is readily available to the Group, it is designated at the balance sheet date for payment to sub-contractors.

4 Revenue

Revenue recognised in the consolidated income statement, net of value added tax, for 2020 relates entirely to the rendering of services.

An analysis of revenue by geographical market is given below:

	2020 £ 000	2019 £ 000
UK	664,364	-
Europe	32,212	-
Middle East	26,828	-
Rest of the World	15,528	-
	738,932	-

An analysis of revenue by operating segment is given below:

	2020 £ 000	2019 £ 000
Building and Places	273,034	-
Environment and Ground Engineering	153,685	-
Civil Infrastructure	291,601	-
Other	20,612	-
	738,932	-

The Group recognised revenue in the period of £38,115,000 that was included in the contract liabilities balance at the beginning of the prior period.

Notes to the Financial Statements
At 2 October 2020 (continued)

4 Revenue (continued)

'Other' includes revenue related to Management Services and Construction Services revenue, both of which are non recurring revenue streams that do not meet the definition of discontinued operations in accordance with IFRS 5 Non current assets held for sale and Discontinued operations.

As of 2 October 2020, the Group had allocated £429 million (2019: £440 million) of transaction price to unsatisfied or partially satisfied performance obligations, of which approximately 74% (2019: 70%) is expected to be satisfied within the next twelve months. The remaining performance obligations expected to be recognised in more than twelve months relate to projects which are long term in nature.

5 Other operating income

The analysis of the Group's other operating income for the period is as follows:

	2020 £ 000	2019 £ 000
Government grants	5,419	-

Government grants represent amounts received from the UK Government (via the Government's coronavirus job retention scheme) during the year in relation to the Group having furloughed staff as a result of COVID-19’s impact on operations.

6 Operating loss

This is stated after charging / (crediting):

	2020 £ 000	2019 £ 000
Depreciation of property, plant and equipment	5,278	-
Depreciation of right of use assets	14,943	-
Impairment of right of use assets	2,984	-
Amortisation of intangible assets	12,443	-
Loss on sale or disposal of property, plant and equipment	32	-
Profit on sale or disposal of right of use assets	(34)	-
Share-based payment expense	2,650	-
Net foreign currency gains	(735)	-

Items affecting operating loss in relation to right of use assets and lease liabilities are disclosed further in note 22.

The Group has not capitalised any development expenditure in the current or preceding year.

Notes to the Financial Statements
At 2 October 2020 (continued)

7 Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the consolidated financial statements and for other non-audit services provided to the Group;

	2020 £ 000	2019 £ 000
Audit of the financial statements of the Group	144	-
Audit fees borne in connection with the audit of other group companies	825	-
Taxation compliance services	21	-
All other assurance services	20	-
	1,010	-

Auditors' remuneration for the audit of the financial statements of the Company has been borne by a fellow group undertaking in the current and prior year.

8 Staff costs

(a) Staff costs

The Company has no employees (2019: no employees).

Directors' remuneration is borne by other companies within the AECOM group and not specifically recharged. Consideration received by Directors of the Company for qualifying services provided to the Company is considered to be nil.

The aggregate payroll costs (including consideration for non-qualifying services provided by the Directors of the Company) of the Group was as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	326,127	-
Social security costs	35,285	-
Other pension costs	17,127	-
	378,539	-

Other pension cost consists entirely of costs in respect of contributions to defined contribution plans.

Notes to the Financial Statements
At 2 October 2020 (continued)

8 Staff costs (continued)

(a) Staff costs (continued)

The average monthly number of employees of the Group during the year was made up as follows:

	2020 No.	2019 No.
Engineering and technical	6,828	-
Administration and finance	705	-
	7,533	-

(b) Directors' remuneration

No Directors' remuneration is included in the Company financial statements given that remuneration of Directors of the Company is borne by other companies within the AECOM group. Renumeration of Directors of the Group, who meet the definition of key management personnel, is disclosed in note 30 to these consolidated financial statements.

9 Interest receivable

	2020 £ 000	2019 £ 000
Interest receivable from group undertakings	7,761	-
Other interest income	121	-
	7,882	-

10 Interest payable

	2020 £ 000	2019 £ 000
Interest payable to group undertakings	4,410	-
Other finance costs	106	-
Finance charges payable under finance leases	3,894	-
	8,410	-

Notes to the Financial Statements
At 2 October 2020 (continued)

11 Income tax

(a) Tax charged or credited in the Consolidated Income Statement

The tax charge is made up as follows:

	2020 £ 000	2019 £ 000
Current income tax:		
UK corporation tax	-	-
Foreign tax	897	-
Total current income tax	897	-
Deferred tax:		
Origination and reversal of temporary differences	(635)	-
Impact of change in tax laws and rates	(1,389)	-
Total deferred taxation	(2,024)	-
Tax income in the Consolidated Income Statement	(1,127)	-

(b) Tax relating to items charged or credited within the Consolidated Statement of Comprehensive Income

	2020 £ 000	2019 £ 000
Current tax:		
Total current income tax expense/(income)	-	-
Deferred tax:		
Actuarial gains on defined benefit pension plans	(6,943)	-
Impact of changes in tax laws and rates	(3,945)	-
Total deferred tax income	(10,888)	-
Tax income in the Consolidated Statement of Comprehensive Income	(10,888)	-

Notes to the Financial Statements
At 2 October 2020 (continued)

11 Income tax (continued)

(c) Reconciliation of the total tax charge / (credit)

The tax charge on the profit for the year differs from the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2020 £ 000	2019 £ 000
Loss before tax	(5,318)	-
Profit multiplied by standard rate of corporation tax in the UK	(1,011)	-
Effects of:		
Income not deductible for tax purposes	(307)	-
Expenses not deductible for tax purposes	472	-
Deferred tax not recognised	310	-
Group relief received for nil payment	-	-
Foreign tax	897	-
Amounts overprovided in previous years	(236)	-
Changes in tax laws and rates	(1,435)	-
Deferred tax recognised through OCI	183	-
Total tax income reported in the Consolidated Income Statement	(1,127)	-

(d) Factors affecting future tax charges

In a prior year the UK Government had announced and enacted a reduction in the main rate of UK corporation tax from 19% to 17%, to take effect from 1 April 2020. In March 2020, the UK Government announced that the rate reduction would not go ahead and the rate would remain at 19%. This change was enacted before the Statement of Financial Position date, and the impact has been reflected in these financial statements.

On 3 March 2021 the UK Government announced an increase in the main rate of UK corporation tax from 19% to 25%, to take effect from 1 April 2023. This change was not enacted before the Statement of Financial Position date.

Notes to the Financial Statements
At 2 October 2020 (continued)

11 Income tax (continued)

(e) Deferred tax

Group deferred tax is provided at 19% (2019: 17%) in the financial statements as follows:

	2020 £ 000	2019 £ 000
Other temporary differences	(13,574)	(15,094)
Capital allowances	11,153	9,385
Pension schemes	41,276	33,531
Tax losses carried forward	19,999	17,245
Deferred tax asset	58,854	45,067

Movement in deferred tax balance during the year

	27 September 2019 £ 000	Impact of IFRS 16 adoption £ 000	28 September 2019 Restated £ 000	Recognised in profit and loss £ 000	Recognised in equity £ 000	2 October 2020 £ 000
Other temporary differences	(15,094)	555	(14,539)	645	320	(13,574)
Capital allowances	9,385	-	9,385	1,768	-	11,153
Pension schemes	33,531	-	33,531	(3,143)	10,888	41,276
Tax losses carried forward	17,245	-	17,245	2,754	-	19,999
	45,067	555	45,622	2,024	11,208	58,854

Deferred tax of £555,000 has been recognised through retained earnings in respect of the IFRS 16 transition adjustment impact on 28 September 2019.

Notes to the Financial Statements
At 2 October 2020 (continued)

11 Income tax (continued)

(e) Deferred tax (continued)

Movement in deferred tax balance during the prior year

	29 September 2018 £ 000	Transfer in as part of a business combination £ 000	27 September 2019 £ 000
Other temporary differences	-	(15,094)	(15,094)
Capital allowances	-	9,385	9,385
Pension schemes	-	33,531	33,531
Tax losses carried forward	-	17,245	17,245
	-	45,067	45,067

Deferred tax assets not recognised amount to £347,000 (2019: £nil). These assets do not have an expiry date.

A deferred tax liability of £15,526,000 was recognised in respect of the intangible assets acquired as part of the business combination involving AECOM Limited and AECOM Infrastructure & Environment UK Limited, as discussed further in note 31 to these consolidated financial statements.

(f) Research and development expenditure

The Group's estimated research and development expenditure credit (RDEC) in the current year is not yet finalised. The Group finalises its current year research and development claim subsequent to the filing of these consolidated financial statements.

Notes to the Financial Statements
At 2 October 2020 (continued)

12 Intangible assets

Group

	Software, licenses and patents £ 000	Other intangible assets £ 000	Goodwill £ 000	Total £ 000
Cost:				
At 28 September 2019	209	97,981	211,226	309,416
Effect of adoption of IFRS 16 (see note 3.2)	-	(2,498)	-	(2,498)
At 28 September 2019 (restated)	209	95,483	211,226	306,918
Additions	154	-	-	154
At 2 October 2020	363	95,483	211,226	307,072
Amortisation and impairment:				
At 28 September 2019	-	-	-	-
Charge for the year	142	12,301	-	12,443
At 2 October 2020	142	12,301	-	12,443
Net book value:				
At 2 October 2020	221	83,182	211,226	294,629
At 27 September 2019	209	97,981	211,226	309,416

No intangible assets were pledged as security.

Other intangibles include components of the business and assets acquired from AECOM Limited and AECOM Infrastructure & Environment UK Limited in the prior period, made up of backlog, customer relationships, favourable leaseholds and an amount paid in respect of a collaboration agreement entered into with a leading construction party.

Refer to note 3.2 for further information on the effect that adopting IFRS 16 has had on intangible assets.

For the purposes of impairment testing of goodwill the Group did not allocate goodwill arising on acquisition in the prior period to cash generating units (CGUs), given the fact that the goodwill arose on the acquisition of the underlying trading entities which only took place on the last day of the 2019 accounting period.

The Group has however now allocated goodwill arising on acquisition in the prior period to cash generating units (CGUs), which are also operating segments, as follows:

Notes to the Financial Statements
At 2 October 2020 (continued)

12 Intangible assets (continued)

	2020 £ 000
Building and Places	70,528
Civil Infrastructure	97,554
Environment and Ground Engineering	43,144
	211,226

This represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Recoverable amounts

When assessing goodwill for impairment, the recoverable amount for each CGU has been determined using a value in use calculation with cash flow projections based on financial forecasts approved by management covering a 5 year period, taking into consideration the future impact on the UK business as a result of COVID-19. A separate value in use calculation has been prepared for URS Scott Wilson India Private Limited, which forms part of the Group.

Estimates used in value in use calculation

Revenue growth rates and profitability forecasts reflect management's estimate of the future performance. Management's estimates have been benchmarked against historical financial performance as well as industry expectations. Future revenue is extrapolated by the expected growth rate applicable to each CGU with an inflationary terminal growth rate assumption of 2.5%.

The rate at which the projected cash flows have been discounted represents an estimate of the Group's Weighted Average Cost of Capital (WACC). This was calculated for the wider Design and Consulting Services (DCS) business in the UK, being the market segment in which the Group operates. The discount rate applied to cash flows is 12%. Had a pre- tax rate been applied, the rate would have been 13%. A separate discount rate was applied to the valuation of URS Scott Wilson India Private Limited, of 14%. Had a pre- tax rate been applied, the rate would have been 22%.

Cash conversion estimates reflect management's capital expenditure projections as well as working capital expectations for the wider DCS business in the UK, which is the region and market in which the Group operates.

Sensitivity of valuation to changes in key assumptions

The value in use calculation is therefore most sensitive to the following key assumptions:
- Revenue growth rates, including those used to extrapolate cash flows beyond the forecast period
- Operating profit margins, including those used to extrapolate cash flows beyond the forecast period, and
- Discount rates

12 Intangible assets (continued)

Revenue growth rate estimates − rates are benchmarked based on historical financial performance as well as industry expectations. As discussed above, future revenue is extrapolated by the expected growth rate applicable to each CGU with an inflationary terminal growth rate assumption of 2.5%.

Management recognises that changes in the economic environment in which the Group operates, including for example the level of recovery of the economy following the impact of COVID-19 in 2020, including the role that the infrastructure sector will play in this recovery, can have a significant impact on growth rate assumptions. Having said that, a reduction in revenue growth rates is not expected to result in an impairment to the carrying value of goodwill.

Operating profit margins - Operating profit margins are also benchmarked based on historical financial performance as well as industry expectations. These are increased over the budget period for anticipated efficiency improvements.

Management recognises that decreased demand and an increased cost base can of course lead to a decline in the operating profit margin. Having said that, a reduction in the projected operating profit margins is not expected to result in an impairment to the carrying value of goodwill.

Discount rates − Discount rates represent an estimate of the Group's Weighted Average Cost of Capital (WACC). This was calculated for the wider Design and Consulting Services (DCS) business in the UK, being the market segment in which the Group operates, taking into consideration the time value of money. Adjustments to the discount rate are then made to factor in the specific amount and timing of the future tax flows in order to estimate a pre-tax discount rate, had one been used in the calculation.

A reasonable rise in the post-tax discount rate is not expected to result in an impairment to the carrying value of goodwill.

Notes to the Financial Statements
At 2 October 2020 (continued)

13 Property, plant and equipment

Group

	Freehold land and buildings and improvements £ 000	Fixtures, fittings, tools and equipment £ 000	Computer equipment £ 000	Leasehold improvements £ 000	Motor vehicles £ 000	Total £ 000
Cost:						
At 28 September 2019	3,187	2,359	6,902	11,798	62	24,308
Effect of adoption of IFRS16 (see note 14)	-	-	(7,144)	-	-	(7,144)
Reclassifications	-	1,287	1,323	(2,610)	-	-
At 28 September 2019 (restated)	3,187	3,646	1,081	9,188	62	17,164
Additions	-	1,642	3,093	3,345	-	8,080
Disposals	-	(560)	(201)	(461)	(1)	(1,223)
At 2 October 2020	3,187	4,728	3,973	12,072	61	24,021
Depreciation:						
At 28 September 2019	-	-	-	-	-	-
Charge for the year	135	1,697	1,008	2,384	54	5,278
Eliminated on disposal	-	(229)	(144)	(235)	-	(608)
At 2 October 2020	135	1,468	864	2,149	54	4,670
Net book value:						
At 2 October 2020	3,052	3,260	3,109	9,923	7	19,351
At 27 September 2019	3,187	2,359	6,902	11,798	62	24,308

No property, plant or equipment have been pledged as security.

During the year, a reclassification between property, plant and equipment categories of £2,610,000 was recorded in order to reflect the correct cost of fixtures, fittings, tools and equipment, computer equipment and leasehold improvements within the consolidated financial statements. This did not have any impact on the total opening net book value or opening cost of property, plant and equipment, or on depreciation charged to date or through the Consolidated Income Statement in the current year.

Notes to the Financial Statements
At 2 October 2020 (continued)

14 Right of use assets

Group

	Computer equipment £ 000	Property £ 000	Total £ 000
Cost:			
At 28 September 2019	-	-	-
Effect of adoption of IFRS 16	7,376	73,294	80,670
At 28 September 2019 (restated)	7,376	73,294	80,670
Additions	6,305	4,552	10,857
Disposals	(4,690)	(1,917)	(6,607)
At 2 October 2020	8,991	75,929	84,920
Depreciation:			
At 28 September 2019	-	-	-
At 28 September 2019 (restated)	-	-	-
Depreciation charge for the year	3,840	11,103	14,943
Impairment charge in the year	-	2,984	2,984
Eliminated on disposal	(2,754)	(270)	(3,024)
At 2 October 2020	1,086	13,817	14,903
Net book value:			
At 2 October 2020	7,905	62,112	70,017
At 27 September 2019	-	-	-

The amounts disclosed above in relation to the effect of adopting IFRS 16, include costs of £7,144,000 transferred from property, plant and equipment (see note 13) in relation to assets classified as finance leases. The remainder relates to bringing computer equipment and property leases previously classified as operating leases onto the balance sheet at the point of transition. See note 3.2 for further information.

Items of computer equipment with a net book value of £1,936,000 were bought out in the year from the lessee. These are shown within disposals above, and within additions of property, plant and equipment (see note 13).

Notes to the Financial Statements
At 2 October 2020 (continued)

15 Investments

Summary of investments held by the Group and the Company at 2 October 2020:

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Investments in subsidiaries	-	-	425,000	425,000
Investments in joint ventures	1,019	902	-	-
Investments in associates	24	19	-	-
	1,043	921	425,000	425,000

All investments are in unlisted entities.

(a) Subsidiaries

	Company £ 000
Cost:	
At 27 September 2019	425,000
At 2 October 2020	425,000
Provision for impairment:	
At 27 September 2019	-
At 2 October 2020	-
Net book value:	
At 2 October 2020	425,000
At 27 September 2019	425,000

The Directors believe that the carrying values of investments at 2 October 2020 is supported by their underlying net assets, or value in use. In measuring value in use, the discount rate used reflects current assessments of the time value of money and the risks specific to the asset.

Details of the Company's subsidiaries as at 2 October 2020 can be found in note 3.4.

Notes to the Financial Statements
At 2 October 2020 (continued)

15 Investments (continued)

(b) Joint ventures

	Group £ 000
At 27 September 2019	902
Share of profit of joint ventures	1,712
Cash distributions received from joint ventures during the year	(1,595)
At 2 October 2020	1,019

All investments in joint ventures are accounted for using the equity method.

Details of the group joint ventures as at 2 October 2020 are as follows:

Name of Joint ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the group 2020	2019
Transcend Partners Limited	Consulting Engineers	Elms House, 43 Brook Green, London, England, W6 7EF	40%	40%
Conway AECOM Limited	Consulting Engineers	Conway House, Vestry Road, Sevenoaks, Kent, England, TN1 45E	50%	50%
Perfect Circle JV Limited	Consulting Engineers	Halford House, Charles Street, Leicester, England, LE1 1HA	33%	33%
Ionia Odos	Consulting Engineers	OMEK Consulting Engineers SA 238, Kifissias Avenue, Chalandri 152 31, Athens, Greece	50%	50%
Central Greece E65	Consulting Engineers	OMEK Consulting Engineers SA 238, Kifissias Avenue, Chalandri 152 31, Athens, Greece	50%	50%
SWL – SWKIPL – Joint Venture	Consulting Engineers	43, Richmond Road, Bangalore 560 025, India	100%	100%

Notes to the Financial Statements
At 2 October 2020 (continued)

15 Investments (continued)

(b) Joint ventures (continued)

Transcend Partners Limited, Ionia Odos and Central Greece E65 all have statutory year end dates of 31 December. Conway AECOM Limited and SWL - SWKIPL have statutory year end dates of 31 March and Perfect Circle JV Limited has a statutory year end date of 30 September.

Joint venture classification for Transcend Partners Limited arises from all partners having equal voting rights and all decisions must be reached by unanimous vote.

The following tables illustrate the summarised IFRS compliant financial information of material joint ventures, based on their internal management accounts at the reporting date, and also provides a reconciliation with the carrying amount of the investments in the consolidated financial statements, as set out below:

	2020 £ 000	2019 £ 000
Transcend Partners Limited summarised balance sheet		
Current assets (including cash of 2020: £1,310,000, 2019: £508,000)	5,493	3,300
Current liabilities	(4,671)	(2,837)
Net assets	822	463
Share in equity	40%	40%
Group's carrying amount of the investment	329	185

	2020 £ 000	2019 £ 000
Transcend Partners Limited summarised profit and loss account		
Revenue	18,472	-
Cost of Sales	(16,070)	-
Administrative expenses	(1,958)	-
Profit before tax	444	-
Income tax expense	(84)	-
Profit after tax	360	-
Share in equity	40%	40%
Group's share of profit for the year	144	-

Notes to the Financial Statements
At 2 October 2020 (continued)

15 Investments (continued)

(b) Joint ventures (continued)

	2020 £ 000	2019 £ 000
Conway AECOM Limited summarised balance sheet		
Non current assets	272	577
Current assets (including cash of 2020: £1,951,000, 2019: £nil)	11,014	13,088
Current liabilities (including bank overdrafts of 2020: £nil, 2019: £2,298,000)	(10,169)	(12,385)
Net assets	1,117	1,280
Share in equity	50%	50%
Group's carrying amount of the investment	559	640

	2020 £ 000	2019 £ 000
Conway AECOM Limited summarised profit and loss account		
Revenue	54,100	-
Cost of sales	(52,986)	-
Administrative expenses (including depreciation of 2020: £281,000, 2019: £323,000)	(1,239)	-
Finance costs	(40)	-
Loss before tax	(165)	-
Income tax credit	31	-
Loss after tax	(134)	-
Share in equity	50%	50%
Group's share of loss for the year	(67)	-

Notes to the Financial Statements
At 2 October 2020 (continued)

15 Investments (continued)

(b) Joint ventures (continued)

	2020 £ 000	2019 £ 000
Perfect Circle JV Limited summarised balance sheet		
Non current assets	1	1
Current assets (including cash of 2020: £922,000, 2019: £1,018,000)	16,611	15,241
Current liabilities	(16,559)	(15,316)
Net assets/(Net liabilities)	53	(74)
Share in equity	33%	33%
Group's carrying amount of the investment	17	(24)

In accordance with IAS 28 the Group's carrying amount of the investment was reduced to below zero in 2019 as a result of the Group recognising liabilities to the extent that it has a constructive obligation for those liabilities.

	2020 £ 000	2019 £ 000
Perfect Circle JV Limited summarised profit and loss account		
Revenue	167,110	-
Cost of sales	(160,117)	-
Administrative expenses	(1,226)	-
Profit before tax	5,767	-
Income tax expense	(1,139)	-
Profit after tax	4,628	-
Share in equity	33%	33%
Group's share of profit for the year	1,527	-

The share of profit relating to non material Joint Ventures in the current year was £114,000.

Notes to the Financial Statements
At 2 October 2020 (continued)

15 Investments (continued)

(c) Associates

	Group £ 000
Cost:	
At 27 September 2019	19
Additions	5
At 2 October 2020	24
Provision for impairment:	
At 27 September 2019	-
At 2 October 2020	-
Net book value:	
At 2 October 2020	24
At 27 September 2019	19

Details of the group associates as at 2 October 2020 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the group 2020	2019
Grontmij Maunsell Holdings BV (Reg: 30164459) *	Dormant	De Holle Bilt 22, De Bilt, 3732HM, Netherlands	49%	49%
The RC Management Company Limited *	Not for profit	Block A, Royal Court, Basil Close, Chesterfield, S41 7SL	49%	49%

* Indicates indirectly owned.

Notes to the Financial Statements
At 2 October 2020 (continued)

15 Investments (continued)

(d) Joint operations

The Directors consider the below interests to be joint operations as defined by IFRS 11 and have recorded the Group's share of the joint operations' assets and liabilities and results in these consolidated financial statements.

Name of unincorporated interest	Country of operation	Principal activity	Percentage interest held
EarthTech-Morrison	England	Consulting Engineers	50%
AECOM/Kier	England	Consulting Engineers	50%
AECOM/J Murphy & Sons/Kier3	England	Consulting Engineers	33%
Caledonian Water Alliance	Scotland	Consulting Engineers	20%
AECOM/Mott MacDonald	England	Consulting Engineers	50%
CVU	England	Consulting Engineers	20%

Following the transfer of trade and net assets of AECOM Design Build Limited on 28 May 2016, AECOM Limited holds interests in three unincorporated entities; Earth Tech-Morrison Joint Venture (50% share), AECOM/Kier Joint Venture (50% share) and AECOM/Murphy & Sons/Kier Joint Venture (33% share). On the same date, an agency agreement was signed whereby AECOM Limited appointed AECOM Design Build Limited as its agent in principle in respect of these transferred business interests.

16 Inventories

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Finished goods	-	552	-	-

The amount of inventories recognised as an expense in cost of sales in the consolidated financial statements during the year was £10,141,000.

The amount of any write down of inventories recognised as an expense was not significant in the current year.

Notes to the Financial Statements
At 2 October 2020 (continued)

17 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Trade receivables	68,779	82,283	-	-
Amounts owed by group undertakings	338,583	346,176	-	-
Amounts recoverable on contracts (contract assets)	80,195	73,466	-	-
Other receivables	10,761	9,798	-	-
Prepayments	10,237	16,387	-	-
	508,555	528,110	-	-

Group trade receivables are stated after expected credit losses of £7,828,000 (2019: £3,807,000).

There are no expected credit losses on amounts owed by group undertakings (2019: £nil).

Amounts recoverable on contracts (contract assets) are stated after expected credit losses of £4,153,000 (2019: £4,975,000).

Certain amounts owed by group undertakings are unsecured, have no fixed date of repayment, bear no interest and are repayable on demand. Other amounts owed by group undertakings are unsecured, have no fixed date of repayment, bear interest based on LIBOR plus a margin and are repayable on demand.

Amounts owed by group undertakings above represent balances owed to fellow AECOM entities that are wholly owned subsidiaries of the ultimate parent undertaking. Balances owed from associates and joint ventures are disclosed in note 30.

Certain amounts owed between the Group and other AECOM group undertakings have the right of offset, and have been presented on a net basis within Amounts owed by group undertakings above and within Amounts owed to group undertakings in note 20. Had these amounts not been netted and instead presented on a gross basis, Amounts owed by group undertakings above would be £434,752,000 (2019: £408,323,000), and Amounts owed to group undertakings in note 20 would be £219,311,000 (2019: £197,720,000). The impact on net current assets and net assets is nil.

Notes to the Financial Statements
At 2 October 2020 (continued)

18 Investments - loans to group undertakings

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Amounts owed by group undertakings	21,105	-	-	-

Amounts owed by group undertakings are unsecured, bear interest at rates based on LIBOR plus a margin and have no fixed date of repayment. As the Group has no immediate plans in place to recover these amounts owed by group undertakings within 12 months of the balance sheet date, they have been classified as non-current assets as at 2 October 2020.

Amounts owed by group undertakings above represent balances owed to fellow AECOM entities that are wholly owned subsidiaries of the ultimate parent undertaking.

19 Non current other receivables

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Other non current receivables	1,560	1,697	-	-

Other receivables represent the Group's proportionate share of amounts receivable in greater than one year, within its joint operations that are not accounted for using the equity method.

Notes to the Financial Statements
At 2 October 2020 (continued)

20 Trade and other payables: amounts falling due within one year

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Trade payables	24,452	23,185	-	-
Obligations under finance leases (see note 22)	14,728	3,161	-	-
Contract liabilities	49,214	50,855	-	-
Amounts owed to group undertakings	122,962	135,573	-	-
Other payables	317	1,836	-	-
Pension scheme contributions outstanding	-	2,558	-	-
Other taxes and social security costs	39,499	25,536	-	-
Accruals and deferred income	46,716	44,844	-	-
Provisions (see note 23)	15,697	5,053	-	-
	313,585	292,601	-	-

There are no financial liabilities held at fair value through the Consolidated Income Statement.

Amounts owed to group undertakings above represent balances owed to fellow AECOM entities that are wholly owned subsidiaries of the ultimate parent undertaking. Balances owed to associates and joint ventures are disclosed in note 30.

Other than the Government's job retention scheme (as disclosed in note 5), the Group also took advantage of the Government's VAT deferral scheme during the year and deferred VAT payments due from April to June 2020 (to be paid on or before 31 March 2022). Amounts due after more than one year are presented in note 21 below.

Certain amounts owed to group undertakings are unsecured, have no fixed date of repayment, bear no interest and are repayable on demand. Other amounts owed to group undertakings are unsecured, have no fixed date of repayment, bear interest based on LIBOR plus a margin and are repayable on demand.

Certain amounts owed between the Group and other AECOM group undertakings have the right of offset, and have been presented on a net basis within Amounts owed by group undertakings in note 17 and within Amounts owed to group undertakings above. Had these amounts not been netted and instead presented on a gross basis, Amounts owed by group undertakings in note 17 would be £434,752,000 (2019: £408,323,000), and Amounts owed to group undertakings above would be £219,311,000 (2019: £197,720,000). The impact on net current assets and net assets is nil.

For explanations on the Group’s liquidity risk management processes, refer to note 32.

The directors consider that the carrying values of current and non-current trade and other payables approximate their fair values.

Notes to the Financial Statements
At 2 October 2020 (continued)

21 Trade and other payables: amounts falling after more than one year

	Group		Company	
	2020	2019	2020	2019
	£ 000	£ 000	£ 000	£ 000
Obligations under finance leases (see note 22)	65,977	3,995	-	-
Amounts owed to group undertakings	51,633	50,000	51,633	50,000
Other taxes and social security costs	8,569	-	-	-
	126,179	53,995	51,633	50,000

Amounts owed to group undertakings are unsecured, are repayable on 30th September 2022 and bear interest based on 1 month LIBOR + 275bps.

Amounts owed to group undertakings above represent balances owed to fellow AECOM entities that are wholly owned subsidiaries of the ultimate parent undertaking.

22 Leases

Group leases included in creditors

	Computer equipment £ 000	Property £ 000	Total £ 000
At 28 September 2019	7,156	-	7,156
Effect of adoption of IFRS 16	197	79,073	79,270
At 28 September 2019 (restated)	7,353	79,073	86,426
Interest	345	3,549	3,894
Additions	6,333	4,435	10,768
Disposals	(1,969)	(1,702)	(3,671)
Payments	(4,131)	(12,581)	(16,712)
At 2 October 2020	7,931	72,774	80,705
Of which:			
Current balance at 2 October 2020	3,238	11,490	14,728
Non current balance 2 October 2020	4,693	61,284	65,977

22 Leases (continued)

Computer equipment disposals of £1,969,000 relate to the buy out of leases from the lessor. This is a cash outflow and is therefore included in payments made in relation to finance leases in the Consolidated Statement of Cash Flows.

The Group expects to make lease payments of £27,073,000 which fall due more than five years from 2 October 2020.

Group lease profit and loss disclosure

	2020 £ 000	2019 £ 000
Depreciation charged in the year on right of use assets	14,943	-
Interest expense on lease liabilities	3,894	-
Expenses relating to short term leases (included in administrative expenses)	800	-
Expenses relating to leases of low-value assets (included in administrative expenses)	174	-
Variable lease payments (included in administrative expenses)	4,111	-
Sub lease income from right of use assets (included in administrative expenses)	(19)	-
	23,903	-

The Group had total cash outflow for leases of £19,562,000.

There are no significant future cash flows to which the Group is potentially exposed that are not reflected already in the measurement of the lease liabilities.

The low-value assets comprise IT equipment and small items of office furniture.

The Group is not committed to any leases which have not yet commenced at the balance sheet date.

Group as a lessor
Rental income recognised by the Group is disclosed in the table above. This income relates to one property, on which the sublease had ended by the year end. Therefore there are no future minimum rentals receivable.

Notes to the Financial Statements
At 2 October 2020 (continued)

23 Provisions for liabilities

Group

	Claims £ 000	Former partners' annuities £ 000	Property costs £ 000	Other provisions £ 000	Total £ 000
27 September 2019:					
Current	3,073	57	1,923	-	5,053
Non-current	1,048	24	6,397	-	7,469
Total	4,121	81	8,320	-	12,522
Movements in the year:					
Arising during the year	10,800	-	3,064	2,615	16,479
Utilised in the year	(240)	(55)	(1,561)	-	(1,856)
Reversal of unused amounts	(1,693)	-	(1,547)	-	(3,240)
At 2 October 2020:					
Current	10,376	26	2,680	2,615	15,697
Non-current	2,612	-	5,596	-	8,208
Total	12,988	26	8,276	2,615	23,905

Claims
This amount represents a provision for claims brought against the Group (or potential claims notified to the Group) by clients or other parties, established in accordance with professional advice received. The timing of settlement for remaining claims is uncertain.

Annuities
Full provision has been made to cover the expected future liability arising in respect of annuities payable to past partners of other AECOM Group undertakings, although these annuities are not guaranteed.

23 Provisions for liabilities (continued)

Property costs
This primarily consists of dilapidation costs for ongoing leased property as well as accelerated dilapidation costs on leased property for the period not in use by the Group.

Also included are onerous contract provisions for unavoidable costs to be incurred in relation to unutilised leased properties (such as non-lease elements of the property outside the scope of IFRS 16) up to the earlier of the lease termination date or the next lease break point for each individual property.

Unavoidable costs are discounted at the Group's incremental borrowing rate to arrive at the calculated provision.

Other provisions
Other provisions include one off costs relating to restructuring the business, exiting non-core businesses and to streamline the business to better place itself for future opportunities that may arise. All costs are expected to be incurred within 12 months of the balance sheet date.

24 Authorised, issued and called up share capital

Group and Company

Authorised

	2020 No.	2020 £ 000	2019 No.	2019 £ 000
Ordinary shares of £1 each	2	-	2	-

Allotted, called up and fully paid

	2020 No.	2020 £ 000	2019 No.	2019 £ 000
Ordinary shares of £1 each	2	-	2	-

The Ordinary shares rank equally in terms of rights to vote, dividend entitlement, and rights on winding up.

There are no restrictions on the distribution of dividends or the repayment of capital. Any dividends declared are at the discretion of the Directors.

In the prior year the Company issued one £1 share in the year for £375,000,000 to its then parent AECOM International Holdings UK Limited, recognising £374,999,999 in share premium.

25 Capital management

For the purpose of the Group's capital management, capital includes called up share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise shareholder value and to ensure a positive net asset position.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of applicable financial covenants, whilst ensuring that a positive net asset position is maintained (see Consolidated Statement of Financial Position). To maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, return capital to shareholders, or issue new shares. There are no externally imposed capital requirements by which the Group is bound.

The Group has no external borrowings and is wholly owned by a listed US parent who performs capital management activities for the AECOM group as a whole, at a global level.

26 Pensions

Defined benefit pension schemes

Defined benefit schemes
The Group operates three legacy defined benefit pension schemes, the AECOM Group Pension Scheme, which is a sectionalised scheme, the Scott Wilson Pension Scheme and the Scott Wilson Shared Cost Section of the industry-wide Railways Pension Scheme (RPS).

The Group also operates, through its Indian subsidiary, URS Scott Wilson India Private Limited, two other retirement benefit schemes, which are discussed in more detail after the legacy defined benefit pension schemes below.

The AECOM Group Pension Scheme was established to enable the consolidation of existing defined benefit pension plans. On 1 September 2016 assets and liabilities of the Bullen Pension Plan, the AECOM Section of the Citrus Pension Plan, the Maunsell Limited Pension Scheme and the Oscar Faber Pension Fund transferred to their corresponding Sections of the Scheme, and on 1 April 2019 assets and liabilities of the Davis Langdon LLP Pension Scheme transferred to its corresponding section of the Scheme. On 1 December 2016 assets and liabilities of the Defined Benefit Section of the Scott Wilson Pension Scheme were transferred into the Scott Wilson section of the Scheme; these were in respect of "Fund A benefits". Assets and liabilities of the Fund B Benefits, which related to a period when a member was in overseas service, remained in the Scott Wilson Pension Scheme.

Each transferred scheme has its own segregated section meaning that the assets and liabilities in respect of members in one section will be kept separate from the assets and liabilities of other sections.

26 Pensions (continued)

The assets of the AECOM Group Pension Scheme, the Scott Wilson Pension Scheme, the Scott Wilson Shared Cost Section of the RPS are held separately from the Group and from each other and are controlled by a board of Trustees and corporate Trustee (the Trustees) respectively.

Mercer LLP provide actuarial and consultancy advice for all schemes, except for the Scott Wilson Shared Cost Section of the RPS, which is Willis Towers Watson. The schemes' actuaries, together with the Trustees, undertake triennial valuations of the schemes' funded status, with interim assessments performed in the intervening years. The schemes' actuaries and Trustees, in unison with the Group, assess whether a significant change in membership data has taken place on an annual basis to warrant refreshing the actuarial valuations on a more regular basis. To date this has not been considered necessary as no significant movements in membership data have taken place.

A full actuarial valuation was last carried out at 30 September 2019 for all Sections of the AECOM Group Pension Scheme, as well as the Scott Wilson Pension Scheme (SWPS). The next valuation is at 30 September 2022, which will be undertaken by the Scheme actuary.

The financial position of the AECOM Group Pension Scheme and the SWPS is set out below. Based on the previous actuarial valuations from 2016, the Group had agreed with the Trustees a plan of additional contributions in order to address Scheme deficits. Following the 2019 actuarial valuations, a new plan of additional contributions to address Scheme deficits has been agreed. As part of this plan the Group provided surety bonds to the AECOM Group Pension Scheme, increasing member security.

A full actuarial valuation was last carried out at 31 December 2019 for the Railways Pension Scheme (RPS) - Scott Wilson Shared Cost Section. The next valuation is at 31 December 2022, which will be undertaken by the Scheme actuary.

It is expected that the Group's total contributions for all schemes during the period to 1 October 2021 will be £14,858,000.

The following table contains the monthly average regular contributions including expenses that have been made for each of the Scheme sections during the year:

	2020 £ 000
Oscar Faber Section	247
Maunsell Section	24
Citrus Section	269
Bullen Section	64
Davis Langdon Section	274
AECOM Group Pension Scheme – Scott Wilson Section	739
Scott Wilson Pension Scheme (SWPS)	67
Railways Pension Scheme (RPS) - Scott Wilson Shared Cost Section	112
	1,796

Notes to the Financial Statements
At 2 October 2020 (continued)

26 Pensions (continued)

For the Maunsell section regular contributions at this level were made during the year up to May 2020. These contributions stopped after May 2020 due to the section being well funded on the Scheme's Long-Term Funding Target ("LTFT") basis.

AECOM Group Pension Scheme - Oscar Faber Section

The Oscar Faber Pension Fund was closed to new entrants on 17 May 2017 and future accrual on 1 October 2011 apart from a link to future salary increases by CPI capped at 5%.

Pension contributions for the AECOM Group Pension Scheme – Oscar Faber Section are agreed between the Group and the Scheme Trustees on advice from the independent Scheme actuary.

AECOM Group Pension Scheme – Maunsell Section

The Maunsell Limited Pension Scheme section was closed to new entrants on 7 January 2001 and future accrual on 31 January 2007.

Pension contributions for the AECOM Group Pension Scheme – Maunsell Section are agreed between the Group and the Scheme Trustees on advice from the independent Scheme actuary.

AECOM Group Pension Scheme – Citrus Section

The Citrus section of the Citrus Pension Plan was closed to new entrants and future accrual on 1 April 2010. Pension contributions for the AECOM Group Pension Scheme – Citrus Section are agreed between the Group and the Scheme Trustees on advice from the independent Scheme actuary.

AECOM Group Pension Scheme - Bullen Section

The Bullen Pension Plan was closed to new entrants on 20 August 2007 and future accrual on 30 September 2011 apart from a link to future salary increases by RPI capped at 5%.

Pension contributions for the AECOM Group Pension Scheme – Bullen Section are agreed between the Group and the Scheme Trustees on advice from the independent Scheme actuary.

26 Pensions (continued)

AECOM Group Pension Scheme - Davis Langdon Section

The Davis Langdon LLP Pension Scheme is a hybrid scheme and until recently consisted of a defined benefit and a defined contribution section. The defined benefit section closed to new entrants on 1 December 1996 and future accrual on 31 October 2009. The defined contribution section closed to future accrual on 31 December 2012. All employees were invited to join the AECOM Group Personal Pension Plan from this date.

On 1 April 2019 the defined benefit assets and liabilities of the Davis Langdon LLP Pension Scheme transferred to its corresponding section of the AECOM Group Pension Scheme. The defined contribution benefits were transferred to a buyout policy with Legal & General on 14 November 2019. The Davis Langdon LLP Pension Scheme wound up on 24 July 2020.

Pension contributions for the AECOM Group Pension Scheme – Davis Langdon Section are agreed between the Group and the Scheme Trustees on advice from the independent Scheme actuary.

AECOM Group Pension Scheme – Scott Wilson Section

The Scott Wilson Pension Scheme was closed to new entrants on 21 July 2004 and future accrual on 1 October 2010 apart from a link to future salary increases.

Pension contributions for the AECOM Group Pension Scheme – Scott Wilson Section are agreed between the Group and the Scheme Trustees on advice from the independent Scheme actuary.

Scott Wilson Pension Scheme (SWPS)

A full actuarial valuation was carried out at 30 September 2019, but this is still in draft. The valuation is expected to be finalised before 31 December 2020. The next valuation is at 30 September 2022, which will be undertaken by the Scheme actuary, Mercer LLP.

Railways Pension Scheme (RPS) – Scott Wilson Shared Cost Section

The RPS operates a ‘shared cost arrangement’, whereby the Group meets 60% of the cost of providing benefits and the remaining 40% is attributable to the members.

The Scott Wilson Shared Cost Section of the Railways Pension Scheme is a defined benefit scheme in the UK. A full actuarial valuation was carried out as at 31 December 2019 by Willis Towers Watson on an Attained Age method basis. The next valuation is at 31 December 2022.

Notes to the Financial Statements
At 2 October 2020 (continued)

26 Pensions (continued)

Other retirement benefit schemes - Gratuity fund and leave encashment fund

The Group also operates, through its Indian subsidiary, URS Scott Wilson India Private Limited, two other retirement benefit schemes, being a gratuity fund and a leave encashment fund. Under the gratuity fund, every employee of URS Scott Wilson India Private Limited who has completed at least five years of service gets a gratuity on departure of 15 days of last drawn salary for each completed year of service. The completion of continuous service of 5 years shall not be applicable for an employee who attains the age of superannuation or normal age of retirement before completion of the continuous service of 5 years. The Group has funded the gratuity fund liability with Life Insurance Corporation of India.

In respect of the leave encashment fund, the Group provides for the encashment of leave with pay subject to certain rules. Employees are entitled to accumulate leave subject to certain limits, for future encashment.

Valuations in respect of both retirement schemes are undertaken annually by a local independent actuary.

The assets and liabilities of the schemes at the year end were:

Asset information - all defined benefit schemes

	2020			2019		
	Plans in net deficit £ 000	**Plans in net surplus £ 000**	**Total £ 000**	**Plans in net deficit £ 000**	**Plans in net surplus £ 000**	**Total £ 000**
Scheme assets at fair value						
Equities	170,647	24,434	195,081	218,391	32,487	250,878
Bonds and debt securities	323,808	156,959	480,767	220,880	53,149	274,029
Property (pooled fund)	13,237	-	13,237	13,926	-	13,926
Cash and cash equivalents	25,148	5,501	30,649	44,717	6,831	51,548
Other investment funds	149,258	9,955	159,213	203,100	57,087	260,187
Fair value of scheme assets	682,098	196,849	878,947	701,014	149,554	850,568
Present value of scheme liabilities	(931,648)	(164,863)	(1,096,511)	(920,338)	(128,008)	(1,048,346)
Defined benefit pension (deficit)/surplus	(249,550)	31,986	(217,564)	(219,324)	21,546	(197,778)

The pension schemes have not invested in any of the Group's own financial instruments nor in properties or other assets used by Group. As well as investing in the various scheme asset types as illustrated above, the pension schemes employ various asset - liability matching strategies to manage risk, including liability hedging (total return swaps, interest rate swaps, inflation swaps etc.), as well as foreign currency hedging.

The amounts recognised in the Consolidated Income Statement and in the Consolidated Statement of Comprehensive Income in respect of defined benefit schemes for the year are analysed as follows:

Notes to the Financial Statements
At 2 October 2020 (continued)

26 Pensions (continued)

Recognised in the Consolidated Income Statement:

	2020 Plans in net deficit £ 000	2020 Plans in net surplus £ 000	2020 Total £ 000	2019 Plans in net deficit £ 000	2019 Plans in net surplus £ 000	2019 Total £ 000
Current service cost	362	-	362	-	-	-
Net interest on defined benefit liabilities	3,522	(327)	3,195	-	-	-
Administrative expenses paid	1,064	328	1,392	-	-	-
	4,948	1	4,949	-	-	-

Taken to the Consolidated Statement of Comprehensive Income:

	2020 Plans in net deficit £ 000	2020 Plans in net surplus £ 000	2020 Total £ 000	2019 Plans in net deficit £ 000	2019 Plans in net surplus £ 000	2019 Total £ 000
Return on plan assets (excluding amounts included in interest income/(expense))	(525)	(26,509)	(27,034)	-	-	-
Actuarial (gains) and losses arising from experience adjustments	(17,597)	9,826	(7,771)	-	-	-
Actuarial (gains) and losses arising from changes in financial assumptions	41,114	6,211	47,325	-	-	-
Actuarial (gains) and losses arising from changes in demographic assumptions	24,520	(498)	24,022	-	-	-
	47,512	(10,970)	36,542	-	-	-

Notes to the Financial Statements
At 2 October 2020 (continued)

26 Pensions (continued)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	Plans in net deficit £ 000	Plans in net surplus £ 000
Defined benefit obligation at 29 September 2018	-	-
Transfer in as part of the acquisition	920,338	128,008
Defined benefit obligation at 27 September 2019	920,338	128,008
Transfers in / movements for schemes in deficit in prior year, now in surplus	(23,286)	23,286
Current service cost	264	-
Net interest on benefit obligation	14,995	2,444
Plan participants' contributions	133	-
Benefits paid	(28,757)	(4,414)
Actuarial gains and losses	47,961	15,539
Defined benefit obligation at 2 October 2020	931,648	164,863

Changes in the fair value of the plan assets are analysed as follows:

	Plans in net deficit £ 000	Plans in net surplus £ 000
Fair value of plan assets at 29 September 2018	-	-
Transfer in as part of the acquisition	701,014	149,554
Fair value of plan assets at 27 September 2019	701,014	149,554
Transfers in / movements for schemes in deficit in prior year, now in surplus	(21,805)	21,805
Interest income on plan assets	11,442	2,771
Contributions by employer	20,470	952
Contributions by employee	132	-
Administrative expenses	(1,035)	(328)
Benefits paid	(28,645)	(4,414)
Actuarial gains and losses	525	26,509
Fair value of plan assets at 2 October 2020	682,098	196,849

Pension contributions for all schemes are determined by the relevant actuarial advisors using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective reporting dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

Notes to the Financial Statements
At 2 October 2020 (continued)

26 Pensions (continued)

The actuarial assumptions used in calculating the defined benefit obligations per scheme as follows:

AECOM Group Pension Scheme - Oscar Faber Section

Main assumptions	**2020**	**2019**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	2.35%	2.04%
Rate of increase in pensions	2.75%	2.70%
Discount rate	1.70%	1.83%
Rate of price increases (RPI)	2.85%	2.74%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	2.04%	2.11%
Rate of increase in pensions	2.70%	2.95%
Discount rate	1.83%	2.93%
Rate of price increases (RPI)	2.74%	3.11%
Current pensioners at 65 today	22.5 years	22.7 years
Future pensioners at 65, aged 40 today	23.9 years	24.2 years

AECOM Group Pension Scheme – Maunsell Section

Main assumptions	**2020**	**2019**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.35%	2.15%
Discount rate	1.63%	1.80%
Rate of price increases (RPI)	2.91%	2.81%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.15%	2.15%
Discount rate	1.80%	2.87%
Rate of price increases (RPI)	2.81%	3.11%
Current pensioners at 65 today	22.5 years	22.7 years
Future pensioners at 65, aged 40 today	23.9 years	24.2 years

Notes to the Financial Statements
At 2 October 2020 (continued)

26 Pensions (continued)

AECOM Group Pension Scheme – Citrus Section

Main assumptions	**2020**	**2019**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.75%	2.70%
Discount rate	1.67%	1.82%
Rate of price increases (RPI)	2.87%	2.77%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.70%	2.95%
Discount rate	1.82%	2.91%
Rate of price increases (RPI)	2.77%	3.11%
Current pensioners at 65 today	22.5 years	22.7 years
Future pensioners at 65, aged 40 today	23.9 years	24.2 years

AECOM Group Pension Scheme - Bullen Section

Main assumptions	**2020**	**2019**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	2.80%	2.75%
Rate of increase in pensions	3.50%	3.45%
Discount rate	1.74%	1.82%
Rate of price increases (RPI)	2.80%	2.75%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	2.75%	3.11%
Rate of increase in pensions	3.45%	3.55%
Discount rate	1.82%	2.92%
Rate of price increases (RPI)	2.75%	3.11%
Current pensioners at 65 today	22.5 years	22.7 years
Future pensioners at 65, aged 40 today	24.0 years	24.2 years

Notes to the Financial Statements
At 2 October 2020 (continued)

26 Pensions (continued)

AECOM Group Pension Scheme - Davis Langdon Section

Main assumptions	**2020**	**2019**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.75%	2.70%
Discount rate	1.63%	1.80%
Rate of price increases (RPI)	2.90%	2.81%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.70%	2.95%
Discount rate	1.80%	2.86%
Rate of price increases (RPI)	2.81%	3.11%
Current pensioners at 65 today	22.5 years	22.7 years
Future pensioners at 65, aged 40 today	24.0 years	24.2 years

AECOM Group Pension Scheme – Scott Wilson Section

Main assumptions	**2020**	**2019**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.75%	2.70%
Discount rate	1.69%	1.83%
Rate of price increases (RPI)	2.84%	2.73%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.70%	2.95%
Discount rate	1.83%	2.93%
Rate of price increases (RPI)	2.73%	3.11%
Current pensioners at 65 today	22.5 years	22.7 years
Future pensioners at 65, aged 40 today	24.0 years	24.2 years

Notes to the Financial Statements
At 2 October 2020 (continued)

26 Pensions (continued)

Scott Wilson Pension Scheme (SWPS)

Main assumptions	**2020**	**2019**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.75%	2.70%
Discount rate	1.69%	1.83%
Rate of price increases (RPI)	2.84%	2.73%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.70%	2.95%
Discount rate	1.83%	2.93%
Rate of price increases (RPI)	2.73%	3.11%
Current pensioners at 65 today	22.5 years	22.7 years
Future pensioners at 65, aged 40 today	24.0 years	24.2 years

Railways Pension Scheme (RPS) – Scott Wilson Shared Cost Section

Main assumptions	**2020**	**2019**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	2.36%	2.08%
Rate of increase in pensions	2.36%	2.08%
Discount rate	1.68%	1.82%
Rate of price increases (RPI)	2.86%	2.78%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	2.08%	2.11%
Rate of increase in pensions	2.08%	2.11%
Discount rate	1.82%	2.90%
Rate of price increases (RPI)	2.78%	3.11%
Current pensioners at 65 today	22.5 years	22.1 years
Future pensioners at 65, aged 40 today	24.0 years	24.3 years

Notes to the Financial Statements
At 2 October 2020 (continued)

26 Pensions (continued)

Other retirement benefit schemes - Gratuity fund and leave encashment fund

Main assumptions	**2020**	**2019**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	7.00%	7.00%
Withdrawal rate per annum	25.00%	25.00%
Discount rate	5.75%	7.00%
Mortality	N/A	N/A

Average future service	20.3 years	20.8 years
Weighted average duration	13.0 years	17.0 years

Other retirement benefit schemes - Leave entitlement fund and leave encashment

Main assumptions	**2020**	**2019**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	7.00%	7.00%
Withdrawal rate per annum	25.00%	25.00%
Discount rate	5.75%	7.00%
Mortality	N/A	N/A

Average future service	20.3 years	20.8 years
Weighted average duration	15.0 years	20.0 years

Sensitivity analysis - all plans:

The following table shows the estimated impact on the defined benefit obligation of all schemes of changes in the significant actuarial assumptions:

	2020 **£ 000**
Discount rate -25 basis points	52,702
Discount rate +25 basis points	(49,212)
Price inflation -25 basis points	(27,606)
Price inflation +25 basis points	29,653
Post-retirement mortality assumptions -1 year age rating	43,650

Duration of the defined benefit obligation in the event of the changes to the discount rate assumptions:

Discount rate -25 basis points	17.8 years	-	19.7 years
Discount rate +25 basis points	17.4 years	-	19.3 years

Notes to the Financial Statements
At 2 October 2020 (continued)

26 Pensions (continued)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (projected unit credit method calculated at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The Schemes invest in liability matching assets and therefore movements in the defined benefit obligation caused by changes in bond yields and market-implied inflation rates are typically offset, to an extent, by asset movements.

GMP

Following the High Court judgement on 26 October 2018 in the Lloyds Banking Group case, overall pension benefits in the UK were equalised to eliminate inequalities between male and female participants in Guaranteed Minimum Pensions ('GMPs').

A second case was heard by the High Court in November 2020, regarding uncertainty on the treatment of historic transfer values prior to the 26 October 2018 judgement, and whether or not they need an uplift to be equalised for the impact of GMPs. The judgement ruled in favour of equalisation, meaning there could be a further immediate amount to be recognised in the Consolidated Income Statement. The maximum possible impact is expected to be anywhere between £nil and £2,000,000 for the Group, however, the Board of Trustees is in the process of seeking formal actuarial and legal advice regarding an approach to equalising benefit payments relating to transfers and therefore extensive further analysis and investigation is required in order to determine the true impact of the ruling, including quantifying any adjustment that may be required in FY21 (if necessary).

27 Share-based payments

AECOM maintains a number of equity compensation plans, two of which are available to employees of the Group.

The Stock Incentive Plan

The 2006 Amended and Restated Stock Incentive Plan provides for the grant of incentives in the form of Performance Earnings Program awards (“PEP”) Restricted Stock Units (“RSUs”) and other forms of equity awards. PEPs and RSUs generally vest over three year vesting periods. RSUs are subject to service conditions. PEP awards are subject to both performance and service requirements. Performance based conditions are based upon the achievement of free cash flow and earnings per share targets of AECOM, established in the first quarter of each fiscal year. In accordance with IFRS2: Share based payments; awards are expensed from the grant date over the remaining vesting period on a straight line basis. PEP performance conditions are reviewed at the end year of each year within the vesting period to assess the likelihood of the various performance conditions being met. Awards granted to date have a nil exercise price and therefore, fair value is taken to be market value of the underlying shares at grant date. The weighted average fair value at grant date for PEPs and RSUs awarded during the year was £32.11 (2019: £22.18). All awards are settled in the form of equity.

Notes to the Financial Statements
At 2 October 2020 (continued)

27 Share-based payments (continued)

Sharesave Plan

The AECOM UK Sharesave Plan 2011 (the "Plan") is available to all employees. Participants contribute regular monthly amounts over a 3 year option period. At the end of the 3 years, employees may exercise an option to purchase shares in AECOM at a pre-agreed option price. The option price is agreed at the start of the option period and provides a discount on the market value of the shares at the start of the option period (the grant date). Any savings not used to purchase shares may be withdrawn as cash. The value of the discount is expensed on a straight line basis from the grant date. The fair value at grant date was a range from £22.24 to £25.97.

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Number	WAEP £
Stock Incentive Plan		
Outstanding at 27 September 2019	206,211	-
Granted during the year	97,418	-
Forfeited during the year	(24,919)	-
Exercised during the year	(55,789)	-
Expired during the year	(72,830)	-
Outstanding at 2 October 2020	150,091	-

The weighted average remaining contractual life for the share options outstanding at 2 October 2020 was 0.9 - 1.3 years (2019: 1.1 - 1.5 years).

	Number	WAEP £
Sharesave Plan		
Outstanding at 27 September 2019	366,116	21.61 - 22.85
Granted during the year	371,258	22.36
Forfeited during the year	(38,744)	-
Exercised during the year	(87,328)	21.91
Expired during the year	-	-
Outstanding at 2 October 2020	611,302	21.61 - 22.85

The weighted average remaining contractual life for the share options outstanding at 2 October 2020 was 2.1 - 2.2 years (2019: 1.9 - 2.0 years).

There were no cancellations or modifications to awards during either the current or preceding year.

Notes to the Financial Statements
At 2 October 2020 (continued)

28 Contingent liabilities

Group
The Group faces contingent liabilities in the ordinary course of business in respect of performance guarantees and bonds.

Claims

Legal claims have been brought against the Group (or potential claims notified to the Group) by clients or other parties in respect of project delivery, all of which are notified to the Group's Professional Indemnity Insurers, where appropriate.

Claims exist as a result of past events, however, such claims are contingent on a number of other events occurring, or may be reliant on the outcome of subject matter expert reports which the Group has not received or subsidiary courts where legal advice received has not provided any indication of the outcome of such proceedings, and also require the ability to prove fault of the relevant counterparties (causation), liability and loss. As a result, the Directors have determined that whilst these past events have occurred, it is currently not probable that a cash outflow will be required to settle those obligations, or it is not practicable to reliably estimate the amount of the cash flow required to settle the obligations. As a result, a liability has not been recognised for such claims and the specific details of these claims have not been disclosed due to the impracticality of disclosing claims or potential claims of this nature.

The Directors consider that any probable liabilities are suitably provided for (see note 23).

Notes to the Financial Statements
At 2 October 2020 (continued)

29 Reconciliation of loss before tax to cash flow from operating activities

	Group		Company	
	2020 £ 000	2019 £ 000	2020 £ 000	2019 £ 000
Loss before tax	(5,318)	-	(1,633)	-
Net interest expense and other finance costs	3,723	-	1,633	-
Depreciation of property, plant and equipment	5,278	-	-	-
Depreciation of right of use assets	14,943	-	-	-
Impairment of right of use assets	2,984	-	-	-
Amortisation of intangible assets	12,443	-	-	-
Decrease in debtors (including contract assets)	279,432	-	-	-
Decrease in inventory	552	-	-	-
(Decrease)/increase in creditors (including contract liabilities)	(263,803)	-	1,633	-
Increase in provisions	11,384	-	-	-
Profit on disposal of property, plant and equipment	(32)	-	-	-
Loss on disposal of right of use assets	34	-	-	-
Difference between pension charge and cash contributions	(19,740)	-	-	-
Share of profit of joint ventures	(117)	-	-	-
Non-cash and other movements	604	-	(1,633)	-
Net cash inflow from operating activities before tax	42,367	-	-	-

30 Related party transactions

During the period the Group entered into transactions in the ordinary course of business, with related parties. Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Notes to the Financial Statements
At 2 October 2020 (continued)

30 Related party transactions (continued)

Trading balances outstanding at year end with other related parties are as follows:

	Amounts owed by related parties 2 October 2020 £ 000	Amounts owed to related parties 2 October 2020 £ 000	Amounts owed by related parties 27 September 2019 £ 000	Amounts owed to related parties 27 September 2019 £ 000
Related AECOM Undertakings				
Fellow AECOM group undertakings	218,807	(34,030)	242,343	(79,025)
Joint Ventures				
Conway AECOM Limited	741	-	524	-
Perfect Circle JV Limited	6,833	-	4,469	-
AECOM Infrastructure & Environment UK Limited-OMEK S.A. Ionia Odos	-	-	48	-
AECOM Infrastructure & Environment UK Limited-OMEK S.A. Central Greece	-	-	103	-
	226,381	(34,030)	247,487	(79,025)

Consolidated income statement transactions with other related parties were as follows:

	2 October 2020 £ 000	27 September 2019 £ 000
Income		
Sales to other AECOM group undertakings	70,914	-
Net interest received on loans to/ from other AECOM group undertakings	3,351	-
Expenses		
Purchases from other AECOM group undertakings	(31,354)	-
Cost allocations and recharges to/ from other AECOM group undertakings	(43,509)	-

Related party transactions for the Company have been disclosed in notes 21, 24 and 31.

Notes to the Financial Statements
At 2 October 2020 (continued)

30 Related party transactions (continued)

Key management personnel

Key management personnel of the Group are considered to be the members of the Executive board of the underlying UK & I DCS businesses, being those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Compensation paid to key management personnel in the year was as follows:

	2020 £ 000	2019 £ 000
Short-term employee benefits	1,913	-
Post-employment pension and medical benefits	59	-
Termination benefits	137	-
	2,109	-

	2020 No.	2019 No.
Number of key management personnel who received shares in respect of qualifying services	6	-
Number of key management personnel accruing benefits under money purchase schemes	6	-

In respect of the highest paid member of key management personnel:

	2020 £ 000	2019 £ 000
Remuneration	459	-
Group contributions to money purchase pension schemes	10	-

During the year the highest paid member of key management personnel received shares under a long term incentive scheme.

The remuneration detailed above includes the total remuneration of all key management personnel during the year. During the year, the Group paid amounts of £137,000 in respect of aggregate compensation relating to members of key management personnel in respect of their retirement from office.

The amounts owing to key management personnel as at 2 October 2020 included in trade and other payables: amounts falling due within one year, were:

	2020 £ 000	2019 £ 000
Short-term employee benefits	477	85
Post-employment pension and medical benefits	4	5
	481	90

Notes to the Financial Statements
At 2 October 2020 (continued)

30 Related party transactions (continued)

Directors interests in stock incentive and share save plans

Share options held by key management personnel have the following expiry dates and exercise prices. For further details of the plans refer to note 27.

Date of grant	Vesting date	Exercise price	2020 Number outstanding '000	2019 Number outstanding '000
Stock Incentive Plan				
December 2016	December 2019	£nil	-	5,631
December 2017	December 2020	£nil	2,170	6,232
December 2018	December 2021	£nil	3,503	8,959
December 2019	December 2022	£nil	2,907	-
			8,580	20,822

Date of grant	Vesting date	Exercise price	2020 Number outstanding '000	2019 Number outstanding '000
Sharesave Plan				
July 2020	July 2023	£22.36	765	-
July 2019	July 2022	£22.85	551	944
			1,316	944

Other related party transactions

A subsidiary within the Group, AECOM Environmental Solutions Limited, has also entered into a number of agreements with other group undertakings to share and cap the losses recognised in relation to one problematic construction contract. Receivables of £491,000 (2019: £5,198,000) have been included within debtors - amounts owed by group undertakings in respect of amounts outstanding in this regard as at 2 October 2020.

Terms and conditions with related parties

Outstanding balances with entities other than fellow wholly owned subsidiaries are unsecured, interest free and cash settlement is expected within 30 - 60 days. Terms and conditions for fellow wholly owned subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period.

31 Business combinations

On 27 September 2019, AECOM Design & Consulting Services UK Limited acquired 100% of the share capital of AECOM Limited and AECOM Infrastructure & Environment UK Limited.

The fair values of the identifiable assets and liabilities of AECOM Limited and AECOM Infrastructure & Environment UK Limited as at the date of acquisition (and as previously presented) were:

Notes to the Financial Statements
At 2 October 2020 (continued)

31 Business combinations (continued)

	AECOM Limited £ 000	AECOM I&E UK Limited £ 000	Total £ 000
Non current assets			
Intangible assets	3,010	-	3,010
Property, plant and equipment	18,713	5,595	24,308
Investments	807	114	921
Defined benefit pension plan surplus	21,546	-	21,546
	44,076	5,709	49,785
Current assets			
Inventory	552	-	552
Trade and other receivables (including net deferred tax asset of £45,067,000)	315,736	559,948	875,684
Cash and cash equivalents	3,249	9,298	12,547
	319,537	569,246	888,783
Trade and other payables: amounts falling due within one year	(232,128)	(386,479)	(618,607)
Net current assets	87,409	182,767	270,176
Total assets less current liabilities	131,485	188,476	319,961
Trade and other payables: amounts falling due after one year	(3,995)	-	(3,995)
Defined benefit pension plan deficit	(43,803)	(175,521)	(219,324)
Provisions for liabilities	(6,853)	(5,669)	(12,522)
Net assets	76,834	7,286	84,120
Goodwill and other intangible assets arising on combination	78,166	212,714	290,880
Consideration	155,000	220,000	375,000

There was no contingent consideration. The consideration paid by AECOM Design & Consulting Services UK Limited entirely constituted £375,000,000, financed through the issuance of 1 of its own ordinary shares to its then parent undertaking, AECOM International Holdings UK Limited, at a par value of £1. This represented a non- cash transaction.

Notes to the Financial Statements
At 2 October 2020 (continued)

31 Business combinations (continued)

Of the goodwill and other intangible assets balance of £290,880,000, £211,226,000 represented goodwill comprising the value of expected synergies arising from the acquisition. The balance represented identifiable intangible assets of £92,682,000 being the value attributable to the AECOM Limited and AECOM Infrastructure & Environment UK Limited customer lists and backlog and £2,498,000 being the value of favourable lease contracts where the contractual rent paid is favourable compared with market terms. A deferred tax liability of £15,526,000 also arose in respect of the intangible assets brought onto the balance sheet as part of the acquisition.

There were no transaction costs associated with the acquisition.

The value in use calculations of AECOM Limited and AECOM Infrastructure & Environment UK Limited were calculated using cash flow projections based on financial forecasts approved by management covering a 5 year period. Revenue growth rates and profitability forecasts reflected management's estimate of the future performance in the sector across the UK market. Management's estimates were have been benchmarked against historical financial performance as well as industry expectations. Future revenue was extrapolated by the expected growth rate applicable to each CGU with an inflationary terminal growth rate assumption of 3%.

The rate at which the projected cash flows were discounted represented an estimate of the Group's Weighted Average Cost of Capital (WACC). This was calculated for the wider Design and Consulting Services (DCS) business in the UK, being the market segment in which the Group operates, as well as separately for URS Scott Wilson India Private Limited which forms part of the Group. The discount rate applied to cash flows in the UK was 12%, and in India was 14%.

32 Financial instruments

Group

All of the Group's financial assets and liabilities are measured within the consolidated financial statements at amortised cost, with amortised cost considered a reasonable approximation of fair value given the short term nature of the Group's assets and liabilities. The only exception to this being the defined benefit pension plan deficit, which is measured at fair value with changes reflected through other comprehensive income. As a result, all financial asset and liabilities, with the exception of the defined benefit pension plan deficit and the surplus, are considered Level 3.

There have been no transfers between Levels during the period.

Financial instrument risk management objectives and policies

The Group's principal financial liabilities comprise trade payables, lease obligations, amounts due from group undertakings, payments on account, and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include cash and short term deposits, amounts due from group undertakings, trade receivables, amounts recoverable on contracts and other receivables that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

Notes to the Financial Statements
At 2 October 2020 (continued)

32 Financial instruments (continued)

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk; interest rate risk, currency risk and other price risk. Financial instruments affected by market risk principally include cash and short term deposits and amounts due to/ from group undertakings.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short term deposits and amounts due to/ from group undertakings.

The Group manages its exposure to market interest rates by having a balanced portfolio of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on variable rate borrowings of the Group, with all other variables held constant:

	Increase/ (decrease) in basis points	Increase or (decrease) in pre- tax equity as at 2 October 2020 £ 000
GBP	+ 20 %	3,898
GBP	- 20 %	(3,898)

Only GBP denominated balances are material and therefore other currencies have not been presented above.

No sensitivity analysis has been provided for the Company as the Company's exposure to variable interest rates is not considered material.

(c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities, including Statement of Financial Position exposures which are denominated in a foreign currency.

The Group and Parent Company's exposure to the risk of changes in foreign exchange rates is not considered material.

32 Financial instruments (continued)

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in other prices, including commodity prices and equity prices. The Group does not consider itself as having any exposure to such risks, given it does not have any investments in commodities or listed equities.

(e) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risks from its operating activities (primarily trade receivables and amounts recoverable on contracts) and from its financing activities, including amounts due from group undertakings and deposits with banks.

Trade receivables and amounts recoverable on contracts (contract assets)
Customer credit risk is managed by each end market/ business unit finance lead subject to the Group's established policies, procedures and controls relating to customer credit risk management. Outstanding customer receivables and contract assets are regularly monitored.

An impairment analysis is performed at each reporting date. Generally, trade receivables are provided for if past due for more than 183 days and not subject to enforcement activity, unless the project finance team expects full recovery of the receivable (in which case no provision to booked).

The Group has minimal historical default activity. The Group has compared its existing credit loss provision established under the 183 days policy against its historical default experience, and the resulting expected credit loss provision recorded at the balance sheet date is considered appropriate. No additional expected credit loss has been recognised as a result of IFRS 9.

The Group's maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset disclosed within the Consolidated Statement of Financial Position. The Group does not hold collateral as security. The Group evaluates the concentration risk with respect to trade receivables and contract assets as low.

The Group does not expect a significant impact to its expected credit loss impairment provision as a result of the ongoing effects of COVID-19, given the Group expects its trade receivables, amounts owed by group undertakings and amounts recoverable on contracts (contract assets) to be recoverable at the balance sheet date.

32 Financial instruments (continued)

(e) Credit risk (continued)

Amounts due from group undertakings

Intercompany credit risk is managed by the Group's central finance team subject to the Group's established policies, procedures and controls relating to credit risk management. Outstanding intercompany receivables are regularly monitored.

An impairment analysis is performed at each reporting date based on the terms of repayment of each individual receivable (repayable on demand vs fixed maturity date), the credit risk associated with the receivable (low vs significant), whether or not there has been a significant increase in credit risk associated with the receivable since origination, and taking into consideration any parent letters of support and guarantees which exist to limit any possible credit loss (and also of course considering the counterparties' ability to pay those outstanding balances). The calculation reflects the probability weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Generally, amounts due from group undertakings are not provided for, unless it is expected that full recovery will not take place. Letters of support from the Group's parent undertaking exist and are considered to reduce the calculation of expected credit loss to an immaterial value.

The Group's maximum exposure to credit risk at the reporting date is the carrying value of amounts due from group undertakings disclosed within the Consolidated Statement of Financial Position. The Group does not hold collateral as security. The Group evaluates the concentration risk with respect to amounts due from group undertakings as low.

Financial instruments and cash deposits

Credit risk from balances with banks and institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with the AECOM group treasury function based in Ireland. There is no external cash debt.

The Group's maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents as disclosed within the Consolidated Statement of Financial Position.

Notes to the Financial Statements
At 2 October 2020 (continued)

32 Financial instruments (continued)

(f) Liquidity risk

The Group monitors its exposure to liquidity risk with an objective of maintaining a balance between continuity of funding and flexibility through the use of finance leases and amounts advanced or loaned from group undertakings.

The Group evaluates the concentration risk with respect to the refinancing of debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing can be rolled over with existing internal lenders.

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments is analysed below. Note that certain amounts included in amounts payable in notes 20 and 21 which strictly do not meet the definition of financial liabilities in accordance with IFRS 9 have not been included in the table below.

Group:

	On demand £ 000	Up to 3 months £ 000	3 to 12 months £ 000	1 to 5 years £ 000	Over 5 years £ 000	TOTAL
As at 2 October 2020:						
Financial instruments due in under 1 year	123,794	76,842	27,412	-	-	228,048
Financial instruments due in over 1 year	-	-	-	99,107	27,073	126,180
	123,794	76,842	27,412	99,107	27,073	354,228

	On demand £ 000	Up to 3 months £ 000	3 to 12 months £ 000	1 to 5 years £ 000	Over 5 years £ 000	TOTAL
As at 27 September 2019:						
Financial instruments due in under 1 year	133,590	61,215	10,160	-	-	204,965
Financial instruments due in over 1 year	-	-	-	53,995	-	53,995
	133,590	61,215	10,160	53,995	-	258,960

Notes to the Financial Statements
At 2 October 2020 (continued)

32 Financial instruments (continued)

(f) Liquidity risk (continued)

Company:

	On demand £ 000	Up to 3 months £ 000	3 to 12 months £ 000	1 to 5 years £ 000	Over 5 years £ 000	TOTAL
As at 2 October 2020:						
Financial instruments due in under 1 year	-	-	-	-	-	-
Financial instruments due in over 1 year	-	-	-	51,633	-	51,633
	-	-	-	51,633	-	51,633

	On demand £ 000	Up to 3 months £ 000	3 to 12 months £ 000	1 to 5 years £ 000	Over 5 years £ 000	TOTAL
As at 27 September 2019:						
Financial instruments due in under 1 year	-	-	-	-	-	-
Financial instruments due in over 1 year	-	-	-	50,000	-	50,000
	-	-	-	50,000	-	50,000

Please refer to section 3.5 which summarises the impact of COVID-19 and the potential impact on the Group's liquidity position.

Notes to the Financial Statements
At 2 October 2020 (continued)

32 Financial instruments (continued)

Risk organisation and governance
The Board of Directors has considered the challenges raised by COVID-19 as described in note 3.5. The Board is in a strong position to manage the COVID-19 challenges given its experience and expertise in managing the UK business to date. The Board convenes frequently throughout the year, in person and remotely, to manage issues quickly as and when they arise.

33 Parent and ultimate parent undertaking

The Company's immediate parent at 27 September 2019 was Amentum International Holdings UK Ltd. (previously known as AECOM International Holdings UK Limited), incorporated in England and Wales. The Company's current immediate parent is AECOM Intercontinental Holdings UK Limited.

The Company's ultimate parent undertaking is AECOM which is incorporated in the United States of America. The Company's results are included within the consolidated financial statements of AECOM which are publicly available from 300 South Grand Avenue, 9th Floor, Los Angeles, California, 90071, United States of America.