Registered number: 00880328

AECOM Infrastructure & Environment UK Limited

Report and Financial Statements

2 October 2020

Company Information

Directors	AN Jones AR Barker MA Southwell RS Whitehead CD Wood PS Ribeiro-Carvalho-Vieira
Secretary	B Taiwo
Auditors	Ernst & Young LLP 1 More London Place London United Kingdom SE1 2AF
Registered office	Aldgate Tower 2 Leman Street London United Kingdom 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 Company's principal activity during the year continued to be that of providing design and consultancy services to our UK customers.

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

	2020 ***£ 000***	***2019*** ***£ 000***	***Change***
Turnover / Gross service revenue	240,178	253,100	(5)%
Net service revenue	211,372	213,776	(1)%
EBITA	2,914	6,443	(55)%
Turnover per technical staff member	83	88	(6)%
	No.	**No.**	
Average number of employees	3,094	3,101	0%
Days sales outstanding	50	47	6%

The Company's turnover reduced in 2020 due to reduced project activity compared to 2019. Whilst pre-tax profits declined in comparison to the prior year, this was primarily as a result of one off costs incurred to streamline the business to focus on core markets and provide flexible working conditions for Company employees.

Management monitor KPIs across the UK and Ireland business on an end market basis rather than on an individual entity level basis. In the Design and Consulting Services (DCS) sector in which the Company operates, the key performance measures include gross service revenue, net service revenue, EBITA, turnover per technical staff member, headcount, and days sales outstanding.

Recently, there has been heightened political and economic uncertainly in the United Kingdom 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.

Within total comprehensive income for the year are actuarial losses of £34,973,000 (2019: £40,191,000). 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 Company 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 1.69%-1.68%, compared a range of 1.83%-1.82% used at the prior period end. This reduction is due to macro-economic conditions which have reduced the discount rates from previously higher levels.

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

Principal risks and uncertainties

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

- **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities, in the normal course of business and as heightened due to COVID-19. The Company aims to mitigate liquidity risk by managing cash generation from its operations and applying cash collection targets. The Company also manages liquidity risk via a credit facility made available from a fellow subsidiary undertaking, AECOM Global Ireland Services Limited.

- **Credit risk**

Credit risk arises from the potential failure of counter-parties to the Company honouring their financial obligations. The Company'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 Company operates in a highly competitive industry which can impact upon its ability to win new work and also dilute its margins. The Company 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 Company operates. Failure to deliver to time and agreed scope can lead to the Company 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 Company operates three funded defined benefit pension schemes. The financial liabilities associated with the Company'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 Company. The size of the obligations could also be adversely influenced by regulatory or legislative changes. The Company 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 Company.

- **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 manging 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.

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

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 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&I 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.

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 Company.

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.

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

Section 172 statement (continued)

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 includes; 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 Committee, which meets regularly, continues to review themes and high-level issues that appear consistently within our client feedback.

Government
The Government implements social policies, legislation and regulations, and sets the frameworks within which we are required to operate. Successful relationships with 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.

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 our regional Social Value Champions operate across the UK&I. 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.

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

Section 172 statement (continued)

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 Company represent a material obligation on the balance sheet of the Company.

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 team/managers working closely with the Trustees to deal with all matters related to the pension schemes and we communicate on a regular basis with Trustees at periodic Trustee meetings held throughout the year.

This engagement enables us to balance the risks for the pension funds with respect to Company/ Scheme changes or macro-economic conditions with the needs of the other Company 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 has adversely impacted commercial activity and contributed to significant volatility in debt and equity markets.

The impact on the construction industry has been profound. Despite this, AECOM 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 (continued)
For the Year Ended 2 October 2020

Principal decisions (continued)

BREXIT
BREXIT impacts many areas of AECOM'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 AECOM has a robust strategy in place to minimise downside risk and capitalise on growth opportunities as they arise.

On behalf of the Board

....
AR Barker
Director
22 February 2021

Directors' Report
For the year ended 2 October 2020

Registered No: 00880328

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

Results and dividends
The profit for the year after taxation amounted to £1,650,000 (2019: profit of £1,942,000). The Directors are unable to recommend the payment of a dividend (2019: £nil).

Principal activity
The Company 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 continued to be that of providing design and consultancy services to our UK customers.

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

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

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

Recent heightened political and economic uncertainty in the United Kingdom 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 AECOM has a robust strategy in place to minimise downside risk and capitalise on growth opportunities as they arise.

Directors' Report (continued)
For the year ended 2 October 2020

Directors of the company
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)
AN Jones
CR McCall (resigned 30 October 2020)
WJC Quarterman (resigned 30 July 2020)
AR Barker
MA Southwell
RS Whitehead

The following directors were appointed after the year end:

CD Wood (appointed 22 February 2021)

PS Ribeiro-Carvalho-Vieira (appointed 22 February 2021)

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, AECOM, for a period of 12 months from the date of approval of these financial statements.

The Company'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 on page 2. The Company has access to the considerable financial resources of the AECOM Group. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Corporate governance
The Wates Corporate Governance Principles for Large Companies ('the Principles') launched in December 2018, were developed by a coalition group of industry and professional bodies, supported by the Financial Reporting Council. The Principles provide an example framework which large private companies in the UK can follow in order to demonstrate how they have applied good corporate governance in running their businesses.

The Principles fall under the requirements of the Companies Miscellaneous Reporting Regulations 2018. The Company applied the Principles during its year ended 2 October 2020, demonstrating its compliance with the 6 broad principles as follows:

1. Purpose and leadership

The Company employs an experienced, effective Board whose goal is to promote the purpose of AECOM and ensure that Company values, strategy and culture align with that purpose. The Board achieve this through open and transparent dialogue with employees and other stakeholders, through newsletters, town halls, employees surveys and other corporate communications, by ensuring 100% compliance with the AECOM code of conduct, as well as through acting with integrity, leading by example, and setting the tone at the top.

Directors' Report (continued)

For the year ended 2 October 2020

Corporate governance (continued)

2. Board composition

The Board comprises 4 appropriately qualified and knowledgeable individuals. The Board recognises the need to rebalance and increase its gender diversity, and it is actively pursuing opportunities internally to do this.

The Chair leads the Board and is responsible for its overall effectiveness, including the promotion of effective decision making and the appropriate level of objective thought and challenge. Through regular Board meetings and appropriate delegation to Board committees and the Leadership Team, the Board duties are effectively performed.

3. Director responsibilities

The Board has a clear understanding of its accountability, its duty, and its responsibilities, and it embeds this understanding throughout the workforce via the means and channels discussed in the Purpose and Leadership section above. There are clearly defined policies and practices in place which help govern the internal affairs of the Company, none more evident that the AECOM code of conduct, which describes the professional, legal, ethical, financial and social responsibilities of directors, as well as the SOX compliant internal control environment embedded throughout the organisation.

Governance of the Company is under periodic review to ensure that its policies and processes remain fit for purpose.

4. Opportunity and risk

The Board has responsibility for the Company's overall approach to strategic decision making and effective management of the Company's risks. The Board seeks to promote the long-term success of the Company by identifying opportunities and by establishing oversight for identifying and mitigating risks.

Risk is managed through a risk matrix that requires approval of certain activities by the Risk Committee, a sub-committee comprising members from the Board and leadership team. The same matrix sets out approvals required where the risk or impact of risk is considered to be lower.

5. Remuneration

The Board promotes executive remuneration that is aligned to the long-term success of the Company, ensuring that appropriate and competitive levels of remuneration are set to help secure and retain high- quality employees across the business.

Remuneration for employees is reviewed annually and signed off by the Leadership Team and the Board. Through the Company's annual salary review program and variable compensation scheme, remuneration for directors, senior management and the workforce (both male and female) is aligned with the Company's performance, individuals' performance, behaviours and through achieving the Company's purpose and strategy.

6. Stakeholder relationships and engagement

The Board seeks to foster effective stakeholder relationships aligned to the Company's purpose. Such stakeholder engagement and management is disclosed in more detail in the strategic report on page 4.

Directors' Report (continued)
For the year ended 2 October 2020

Disabled employees
The Company 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 Company'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 Company.

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 Company through Save As You Earn schemes.

Further details of the Company's engagement with employees can be found in the Strategic report on page 4.

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 Company'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 Company's auditors in connection with preparing their report) of which the Company'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 Company's auditors are aware of that information.

On behalf of the Board

....
AR Barker
Director

22 February 2021

Statement of Directors' Responsibilities
For the year ended 2 October 2020

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent Auditor's Report to the Member of AECOM Infrastructure & Environment UK Limited

Opinion

We have audited the financial statements of AECOM Infrastructure & Environment UK Limited (the 'Company') for the year ended 2 October 2020, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 October 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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 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.

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.

Independent Auditor's Report to the Member of AECOM Infrastructure & Environment UK Limited (continued)

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

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Member of AECOM Infrastructure & Environment 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 https://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.

David Wilson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 25 February 2021

Profit and Loss Account
For the year ended 2 October 2020

	Notes	2020 £ 000	2019 £ 000
Turnover	4	**240,178**	253,100
Cost of sales		**(148,586)**	(159,331)
Gross profit		**91,592**	93,769
Administrative expenses		**(91,240)**	(87,343)
Other operating income	5	**2,556**	-
Operating profit	6	**2,908**	6,426
Interest receivable and similar income	9	**1,785**	1,573
Interest payable and similar charges	10	**(790)**	(780)
Other finance cost - pensions	23	**(2,895)**	(3,463)
Profit on ordinary activities before taxation		**1,008**	3,756
Tax income/(expense) on profit on ordinary activities	11	**642**	(1,814)
Profit for the financial year		**1,650**	1,942

All amounts relate to continuing operations.

Statement of Comprehensive Income
For the year ended 2 October 2020

	Notes	2020 £ 000	2019 £ 000
Profit for the financial year		**1,650**	1,942
Other Comprehensive Income			
Actuarial loss on defined benefit pension schemes	23	**(34,973)**	(40,191)
Exchange gain / (loss) on translation of branch balances		**200**	(260)
Tax income on items relating to components of other comprehensive income	11	**10,145**	6,832
Other Comprehensive Income, net of tax		**(24,628)**	(33,619)
Total Comprehensive Income for the year		**(22,978)**	(31,677)

Statement of Changes in Equity
For the year ended 2 October 2020

	Notes	Share capital £ 000	Share premium £ 000	Currency translation reserve £ 000	Capital contribution reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 29 September 2018		30,000	85,000	(3,893)	94,080	(136,939)	68,248
Profit for the year		-	-	-	-	1,942	1,942
Other comprehensive income		-	-	(260)	-	(33,359)	(33,619)
Issue of share capital		-	50,000	-	-	-	50,000
Transfer to share capital		33,819	-	-	(33,819)	-	-
At 27 September 2019		63,819	135,000	(4,153)	60,261	(168,356)	86,571

	Notes	Share capital £ 000	Share premium £ 000	Currency translation reserve £ 000	Capital contribution reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 28 September 2019		63,819	135,000	(4,153)	60,261	(168,356)	86,571
Change in accounting policy	28	-	-	-	-	(475)	(475)
Restated balance as at 28 September 2019		63,819	135,000	(4,153)	60,261	(168,831)	86,096
Profit for the year		-	-	-	-	1,650	1,650
Other comprehensive income		-	-	200	-	(24,828)	(24,628)
Deferred tax effect of share based payments		-	-	-	-	110	110
At 2 October 2020		63,819	135,000	(3,953)	60,261	(191,899)	63,228

Balance Sheet
At 2 October 2020

	Notes	2020 £ 000	2019 £ 000
Fixed assets			
Intangible assets	12	**35,617**	35,623
Property, plant and equipment	13	**3,838**	5,583
Right of use assets	14	**2,593**	-
Investments	15	**2,498**	2,485
Investments - loans to group undertakings	17	**21,105**	-
		65,651	43,691
Current assets			
Debtors	16	**275,829**	591,137
Cash at bank and in hand		**19,325**	6,350
		295,154	597,487
Creditors: amounts falling due within one year	18	**(88,230)**	(373,954)
Net current assets		**206,924**	223,533
Total assets less current liabilities		**272,575**	267,224
Creditors: amounts falling due after more than one year	19	**(2,766)**	-
Provisions for liabilities	21	**(3,839)**	(5,669)
Defined benefit pension plan deficit	23	**(202,742)**	(174,984)
Net assets		**63,228**	86,571
Capital and reserves			
Called up share capital	22	**63,819**	63,819
Share premium account		**135,000**	135,000
Capital contribution reserve		**60,261**	60,261
Accumulated losses		**(191,899)**	(168,356)
Currency translation reserve		**(3,953)**	(4,153)
Total equity		**63,228**	86,571

These financial statements were approved by the Board on 22 February 2021 and signed on its behalf by:

....

AR Barker

Director

The notes on pages 21 to 72 form an integral part of these financial statements.

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	25	**14,592**	(50,125)
Taxation paid		**(27)**	(495)
Net cash from /(used in) operating activities		**14,565**	(50,620)
Cash flows from investing activities			
Dividends received from subsidiaries		**31**	-
Purchase of property, plant and equipment		**(191)**	(844)
Disposal of property, plant and equipment		**565**	-
Net cash from /(used in) investing activities		**405**	(844)
Cash flows from financing activities			
Interest paid		**-**	(9)
Payments made in relation to finance leases		**(1,995)**	(407)
Proceeds from issue of shares		**-**	50,000
Net cash (used in)/from financing activities		**(1,995)**	49,584
Net increase/(decrease) in cash and cash equivalents		**12,975**	(1,880)
Cash and cash equivalents at the beginning of the year		**6,350**	8,230
Cash and cash equivalents at the end of the year		**19,325**	6,350

Within the reported cash balance there is £14,753,000 (2019: £4,954,000) of restricted cash.

Notes to the Financial Statements
At 2 October 2020

1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of AECOM Infrastructure & Environment UK Limited (the Company) for the year ended 2 October 2020 were authorised for issue by the Board on 22 February 2021 and the balance sheet was signed on the board's behalf by AR Barker. The Company is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

The Company has used a true and fair override in respect of the non-amortisation of goodwill (see note 3).

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

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of AECOM Design & Consulting Services UK Limited, a Company incorporated in the United Kingdom. Therefore, the financial statements present information about the Company as an individual undertaking and not about its group.

The results of the Company 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 largest group of which the Company is a member and for which consolidated financial statements are prepared. The results of the Company are also included in the consolidated financial statements of AECOM Design & Consulting Services UK Limited which are available from Aldgate Tower, 2 Leman Street, London, E1 8FA, United Kingdom. This is the smallest group of which the Company is a member and for which consolidated financial statements are prepared.

The principal accounting policies adopted by the Company are set out in note 3.

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet 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 judgments and estimates have had the most significant impact on amounts recognised in the financial statements:

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

2 Judgements and key sources of estimation uncertainty (continued)

(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).

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 Company is typically reasonably certain to extend (or not terminate).
• If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).

Otherwise, the Company 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 Company, 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 Company'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 Company commits to exiting a property, in determining the fair value of right of use asset, the Company explores the viability of subleasing. As a general rule of thumb, 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 Company 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.

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

2 Judgements and key sources of estimation uncertainty (continued)

(b) **Investments and goodwill**

The Company has indefinite lived assets in the form of investments in subsidiaries and goodwill. The 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 of those 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 investments in subsidiaries and on an annual basis for the carrying value of goodwill, the carrying value of goodwill and certain investments is assessed using 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.

(c) **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 Company recognises revenue as a performance obligation is satisfied, is considered a key judgement by management. The Company reviews the appropriateness of assumptions made on a regular basis.

(d) **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 23.

3 Significant accounting policies

3.1 Basis of preparation

These financial statements were prepared in accordance with FRS 101 and under historical cost accounting rules for all years presented, unless otherwise stated.

The accounts have been prepared on a going concern basis. Note 3.4 sets out the Directors' considerations on the potential impact of Coronavirus (COVID-19) and why, as a result of those considerations, they continue to adopt the going concern basis in preparing these 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.

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

3 Significant accounting policies (continued)

3.2 Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

i. The requirements of paragraphs 45 (b) and 46-52 of IFRS 2 Share Based Payments because the share based payment arrangements concern the instruments of AECOM;

ii. The requirements of IFRS 7 Financial Instruments: Disclosures;

iii. The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;

iv. The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;

v. The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

vi. The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of :

i. Paragraph 79(a)(iv) of IAS 1;
ii. Paragraph 73(e) of IAS 16 Property, Plant and Equipment;
iii. Paragraph 118(e) of IAS 38 Intangible Assets;

vii. The requirements of paragraphs 16 and 134-136 of IAS 1 Presentation of Financial Statements;

viii. The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;

ix. The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;

x. The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is a wholly owned by such a member; and

x. The requirements of paragraphs 130(f)(ii) and 130(f)(iii) of IAS 36 Impairment of Assets.

3.3 New standards, amendments and IFRIC interpretations

IFRS 16 supersedes IAS 17 Leases. IFRS 16 Leases is a new accounting standard that is effective for the year ended 2 October 2020. IFRS 16 has had a material impact on the Company (see note 28). There are no other amendments to accounting standards or IFRIC interpretations that are effective for the year ended 2 October 2020 which have had a material impact on the Company.

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

3 Significant accounting policies (continued)

3.4 Going concern

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

In preparing a cash flow forecast to support the going concern assessment, considering the Company is part of a Group-wide treasury function, the Board has assessed whether the Company will be able to meet its liabilities as and when they fall due for a period of at least twelve months from the date of approval of the Company'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 Q1 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 Company if it is needed. As at 31 December 2020, AECOM, as per its Form 10Q for the first quarter ended 31 December 2020, had $1.7 billion of cash and cash equivalents, and $1.3 billion of undrawn revolving credit facility.

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

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

3 Significant accounting policies (continued)

3.5 Turnover 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 Company 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 Company 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.

Turnover 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 Company 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.

Turnover is recognised over time using the percentage completion method, as the customer receives and consumes 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 profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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

3 Significant accounting policies (continued)

3.5 Turnover and contracts (continued)

(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 Company charges clients for its costs, including both direct and indirect costs, plus a negotiated fee or rate. The Company 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 balance sheet date. Turnover 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 Company's performance completed and invoiced to date.

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

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

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 Company'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 turnover, 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 debtors (contract asset). Where amounts invoiced, on a contract by contract basis, exceed turnover or where the Company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration, the excess is classified as contract liabilities and included in creditors.

3.6 Other income and expenses

(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 Company 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.

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

3 Significant accounting policies (continued)

3.6 Other income and expenses (continued)

(b) **Dividend income**

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

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 Intangible assets

(a) **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.

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 Company'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 Company does not amortise goodwill, but reviews it for impairment on an annual basis. The Company is therefore invoking a "true and fair view override" to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The profit for the year would have been £2,415,000 lower had goodwill been amortised.

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

3 Significant accounting policies (continued)

3.8 Intangible assets (continued)

(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 rates and periods used are:

Software and licenses - 3 - 15 years

Amortisation of other intangibles is included in administrative expenses in the profit and loss account.

(c) **Research and development costs**

Research costs are expensed as incurred. Development expenditures are recognised as an intangible asset when the Company 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.

3.9 Property, plant and equipment

Tangible fixed assets are stated at cost less accumulated depreciation. 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 periods used are:

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

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.

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

3 Significant accounting policies (continued)

3.10 Investments

The Company has investments in subsidiaries, join ventures and associates. Long term loans to fellow group undertakings are also classified as investments.

An associate is an entity over which the Company 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.

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.

Investments in subsidiaries and associates are carried at historical cost less accumulated impairment losses, where applicable.

The carrying values of investments are reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable.

The Company recognises its interests in joint ventures as investments and uses the equity method of accounting for the results of the joint venture.

3.11 Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to note 3.18.

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

3 Significant accounting policies (continued)

3.12 Impairment of non-financial assets

The Company 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 Company 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 profit and loss account.

For assets where an impairment loss subsequently reverses, 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 profit and loss account.

3.13 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 balance sheet 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 balance sheet date. Deferred income tax assets and liabilities are offset only if a legally enforcement 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 company 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 balance sheet 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 profit and loss account.

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

3 Significant accounting policies (continued)

3.14 Foreign currencies

The Company's financial statements are presented in sterling which is also the Company's functional currency. Transactions in foreign currencies are initially recorded into the Company'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 balance sheet date with exchange gains and losses dealt with through the profit and loss account.

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 Company's functional currency are taken to other comprehensive income.

3.15 Leases

On 28 September 2019 the Company adopted IFRS 16 on a modified retrospective basis, which amended the accounting treatment of leases. Accordingly, the Company 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 28.

Adoption of the new lease guidance did not significantly change the Company's accounting for finance leases, or its accounting as a lessor. Until the 2019 financial year, leases of property, plant and equipment 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 Company.

The Company 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 Company, 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 Company as lessee are classified as operating leases. Similarly, leases in which the Company 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.

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

3 Significant accounting policies (continued)

3.15 Leases (continued)

Contracts may contain both lease and non-lease components. The Company 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 Company), it has elected not to separate lease and non-lease components and instead the Company 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 Company under residual value guarantees, purchase options (if the Company 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 Company 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 Company 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 profit and loss account. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Company is a lessor, net of any incentives granted, is recognised as income in the profit and loss account 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)

3.16 Pensions

The Company operates three defined benefit pension plans, all of which require contributions to be made to separately administered funds.

The cost of providing benefits under the defined benefit plans is determined separately for each plan 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 profit and loss account. 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 profit or loss account 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 profit and loss account 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 balance sheet comprises the total for each plan 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 Company expects to recover by way of refunds from the plan or reductions in the future contributions.

3.17 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).

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

3 Significant accounting policies (continued)

3.17 Equity settled share-based payments (continued)

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

At each balance sheet 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 balance sheet date is recognised in the profit and loss account 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.

3.18 Trade debtors, other receivables and amounts owed by group undertakings

Trade and other debtors 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 Company 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 Company 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 Company 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).

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

3 Significant accounting policies (continued)

3.19 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 Company recognises financial assets in the Balance Sheet when, and only when, it becomes party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

The Company's financial assets include trade debtors, amounts recoverable on contracts, cash 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 Company'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.

Derecognition
The Company 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 Company 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 Company recognises financial liabilities in the Balance Sheet when, and only when, it becomes party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

The Company's financial liabilities include trade creditors and amounts owed to 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 Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

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

3 Significant accounting policies (continued)

3.19 Financial instruments (continued)

(c) **Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are only offset and the net amount reported in the Balance Sheet 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.

3.20 Provisions for liabilities

A provision is recognised when the Company 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 Company 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 profit and loss account net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance expense.

3.21 Cash and cash equivalents

Cash comprises cash on hand and on demand deposits with a maturity date of 3 months or less. The Company’s 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 Company, it is designated at the balance sheet date for payment to sub-contractors.

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

4 Turnover

Turnover recognised in the profit and loss account, net of value added tax, for both 2020 and 2019, relates entirely to the rendering of services.

An analysis of turnover by geographical market is given below:

	2020 £ 000	2019 £ 000
United Kingdom	233,629	240,622
Europe	3,884	7,774
Middle East	743	2,481
Rest of the World	1,922	2,223
	240,178	253,100

The Company recognised revenue in the period of £8,746,000 (2019: £10,477,000) that was included in the contract liabilities balance at the beginning of the prior period.

Revenue recognised in the period from performance obligations satisfied (or partially satisfied) in previous periods was not material.

5 Other operating income

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

	2020 £ 000	2019 £ 000
Government grants	2,556	-

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

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

6 Operating profit

This is stated after charging / (crediting):

	2020 £ 000	2019 £ 000
Depreciation of property, plant and equipment	1,117	2,289
Depreciation of right of use assets	2,552	-
Amortisation of intangibles	6	18
Loss on sale or disposal of property, plant and equipment	32	251
Share-based payment expenses	317	283
Net foreign currency losses/(gains)	253	(940)

Items affecting operating profit in relation to right of use assets and lease liabilities are disclosed in note 20.

The Company's research and development expenditure qualifying for research and development expenditure credit (RDEC) in the prior year was £13,651,000. The Company's estimated RDEC qualifying expenditure in the current year is expected to be in line with prior year. The Company finalises its current year research and development claim subsequent to the filing of these financial statements.

The Company has not capitalised any development expenditure in the current or preceding period.

7 Auditors' remuneration

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

	2020 £ 000	2019 £ 000
Audit of the financial statements of the Company	283	252
Audit fees borne in connection with the audit of other group Companies	-	25
	283	277

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

8 Staff costs and directors' remuneration

(a) Staff costs

	2020 £ 000	2019 £ 000
Wages and salaries	131,607	129,634
Social security costs	13,750	12,915
Other pension costs	7,044	6,615
	152,401	149,164

In the current and prior year, other pension cost consists entirely of costs in respect of contributions to defined contribution plans.

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

	2020 No.	2019 No.
Engineering and technical	2,885	2,864
Administration and finance	209	237
	3,094	3,101

(b) Directors' remuneration

	2020 £ 000	2019 £ 000
Directors' remuneration	2,050	1,076
Company contributions to money purchase schemes	59	46
	2,109	1,122

	2020 No.	2019 No.
Number of directors who received shares in respect of qualifying services	6	7
Number of directors who exercised share options	-	1
Number of directors accruing benefits under money purchase schemes	6	6

In respect of the highest paid director:

	2020 £ 000	2019 £ 000
Aggregate remuneration	459	377
Company contributions to money purchase schemes	10	10

During the current period and the prior period the highest paid Director received shares under a long term incentive scheme.

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

8 Staff costs and directors' remuneration (continued)

(b) Directors' remuneration (continued)

The Directors provide services to the AECOM UK group as a whole and therefore do not believe that it is practicable to apportion remuneration received between Companies.

The remuneration detailed above includes the total remuneration of all directors of the Company during the year. During the year, the company paid amounts of £137,000 (2019: £nil) in respect of aggregate compensation relating to directors of the Company and fellow group undertakings relating to their retirement from office.

The profit and loss account only includes the remuneration of the directors of the Company that are also employees of the Company.

9 Interest receivable and similar income

	2020 £ 000	2019 £ 000
Dividend income	31	-
Interest receivable from group undertakings	1,754	1,573
	1,785	1,573

On 2 October 2020 the Company received a dividend of £31,000 from its wholly owned subsidiary Fergus & McIlveen Holdings Limited.

10 Interest payable and similar expenses

	2020 £ 000	2019 £ 000
Bank interest	-	2
Finance charges payable under finance leases	241	7
Interest payable to group undertakings	437	771
Other finance costs	112	-
	790	780

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

11 Taxation

(a) Tax charged or credited in the profit and loss account

The tax credit / (charge) is made up as follows:

	2020 £ 000	2019 £ 000
Current income tax:		
UK corporation tax	-	-
Foreign tax	130	(695)
Total current income tax	130	(695)
Deferred tax:		
Origination and reversal of temporary differences	(481)	(1,326)
Amounts overprovided in previous years	36	207
Impact of change in tax laws and rates	957	-
Total deferred tax	512	(1,119)
Tax income/(expense) in the profit and loss account	642	(1,814)

(b) Tax relating to items charged or credited to other comprehensive income

	2020 £ 000	2019 £ 000
Current tax		
Total current income tax income/(expense)	-	-
Deferred tax		
Actuarial gains on defined benefit pension plans	6,645	6,832
Impact of changes in tax laws and rates	3,500	-
Total deferred tax income	10,145	6,832
Tax income in the statement of other comprehensive income	10,145	6,832

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

11 Taxation (continued)

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

The tax credit on the profit for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £ 000	2019 £ 000
Profit from continuing activities before tax	1,008	3,756
Profit multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	191	713
Effects of:		
Expenses not deductible for tax purposes	223	234
Deferred tax expense (credit) from unrecognised tax loss or credit	66	-
Group relief surrendered for nil payment	-	536
Foreign tax	(130)	694
Changes in tax laws and rates	(956)	(156)
Amounts overprovided in previous years	(36)	(207)
Total tax (income)/expense reported in the profit and loss account	(642)	1,814

Deferred tax assets not recognised do not have an expiry date.

(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 that rate reduction would not go ahead and the rate would remain at 19%. This change was enacted before the balance sheet date, and the impact has been reflected in these financial statements.

(e) Deferred tax

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

	2020 £ 000	2019 £ 000
Other temporary differences	387	98
Capital allowances	4,773	4,192
Pension schemes	38,522	29,748
Tax losses carried forward	4,968	3,748
Deferred tax asset	48,650	37,786

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

11 Taxation (continued)

(e) Deferred tax (continued)

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	98	97	195	82	110	387
Capital allowances	4,192	-	4,192	581	-	4,773
Pension schemes	29,748	-	29,748	(1,371)	10,145	38,522
Tax losses carried forward	3,748	-	3,748	1,220	-	4,968
	37,786	97	37,883	512	10,255	48,650

Deferred tax of £97,000 has been recognised through retained earnings in respect of the IFRS 16 transition adjustment impact on 28 September 2019.

Movement in deferred tax balance during the prior year

	29 September 2018 £ 000	Recognised in profit and loss £ 000	Recognised in equity £ 000	27 September 2019 £ 000
Other temporary differences	88	10	-	98
Capital allowances	4,592	(400)	-	4,192
Pension schemes	23,645	(729)	6,832	29,748
Tax losses carried forward	3,748	-	-	3,748
	32,073	(1,119)	6,832	37,786

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

12 Intangible fixed assets

	Software, licenses and patents £ 000	Goodwill £ 000	Total £ 000
Cost:			
At 28 September 2019	1,967	35,617	37,584
At 2 October 2020	1,967	35,617	37,584
Amortisation and impairment:			
At 28 September 2019	1,961	-	1,961
Charged during the year	6	-	6
At 2 October 2020	1,967	-	1,967
Net book value:			
At 2 October 2020	-	35,617	35,617
At 27 September 2019	6	35,617	35,623

No intangible assets were pledged as security.

For the purposes of impairment testing of goodwill, the Company has allocated goodwill arising on acquisition to the following cash generating units (CGUs) which are also operating segments:

	2020 £ 000	2019 £ 000
Building and Places	7,123	7,123
Civil Infrastructure	20,658	20,658
Environment and Ground Engineering	7,836	7,836
	35,617	35,617

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

During the period a decision was taken by the Directors to realign the core end markets of the business, and as a result Water, Power and Ports and Transport were combined into one operating segment, Civil Infrastructure, and the Environment segment was renamed Environment and Ground Engineering.

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.

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

12 Intangible fixed assets (continued)

Estimates used in value in use calculation
Revenue growth rates and profitability forecasts reflect management's estimate of the future performance in the sector across the UK market. 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% (2019: 3.0%).

The rate at which the projected cash flows have been discounted represents an estimate of the Company'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 Company operates. The post-tax discount rate applied to cash flows is 12.0% (2019: 12.0%). Had a pre- tax rate been applied, the rate would have been 12.6% (2019: 12.2%).

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 Company operates.

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

13 Property, plant and equipment

	Freehold land and buildings £ 000	Fixtures, fittings, tools and equipment £ 000	Computer equipment £ 000	Leasehold improvements £ 000	Motor vehicles £ 000	Total £ 000
Cost:						
At 28 September 2019	3,856	3,378	3,549	2,790	732	14,305
Effect of adoption of IFRS16: Leases (see note 14)	-	-	(1,325)	-	-	(1,325)
At 28 September 2019 (restated)	3,856	3,378	2,224	2,790	732	12,980
Additions	-	88	25	78	-	191
Disposals	-	(1,038)	(1,830)	(1,153)	(31)	(4,052)
At 2 October 2020	3,856	2,428	419	1,715	701	9,119
Depreciation:						
At 28 September 2019	(669)	(2,222)	(3,058)	(2,103)	(670)	(8,722)
Effect of adoption of IFRS16: Leases (see note 14)	-	-	1,110	-	-	1,110
At 28 September 2019 (restated)	(669)	(2,222)	(1,948)	(2,103)	(670)	(7,612)
Charge for the period	(135)	(444)	(189)	(295)	(54)	(1,117)
Eliminated on disposal	-	707	1,784	927	30	3,448
At 2 October 2020	(804)	(1,959)	(353)	(1,471)	(694)	(5,281)
Net book value:						
At 2 October 2020	3,052	469	66	244	7	3,838
At 28 September 2019	3,187	1,156	491	687	62	5,583

No tangible fixed assets have been pledged as security.

During the year, assets with a net book value of £565,000, as presented in disposals above, were transferred out of the Company to a fellow group undertaking, AECOM Limited.

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

14 Right of use assets

	Computer equipment £ 000	Property £ 000	Total £ 000
Cost:			
Effect of adoption of IFRS 16	1,325	4,964	6,289
At 28 September 2019 (restated)	1,325	4,964	6,289
Disposals	(350)	(53)	(403)
At 2 October 2020	975	4,911	5,886
Depreciation:			
Effect of adoption of IFRS 16	(1,110)	-	(1,110)
At 28 September 2019 (restated)	(1,110)	-	(1,110)
Charge for the period	(210)	(2,342)	(2,552)
Eliminated on disposal	350	19	369
At 2 October 2020	(970)	(2,323)	(3,293)
Net book value:			
At 2 October 2020	5	2,588	2,593
At 27 September 2019	-	-	-

15 Investments

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

	2020 £ 000	2019 £ 000
Investments in subsidiaries	2,384	2,384
Investments in associates	-	-
Investments in joint ventures	114	101
	2,498	2,485

All investments are in unlisted entities.

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

15 Investments (continued)

(a) Subsidiaries

	£ 000
Cost:	
At 27 September 2019	2,384
At 2 October 2020	2,384
Provision for impairment:	
At 27 September 2019	-
At 2 October 2020	-
Net book value:	
At 2 October 2020	2,384
At 27 September 2019	2,384

Details of the subsidiaries held in the year are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
URS Scott Wilson India Private Ltd	Engineering Consultancy	Flat No. 513 Vishwadeep Tower, District Centre, Janakpuri, New Delhi, West Delhi, Delhi 11058, India	100%	100%
AECOM Srbija d o o (formerly URS Srbija d o o)	Engineering Consultancy	Dragiše Brašovana 1, Belgrade-Novi Beograd, Beograd-Novi Beo, Serbia	100%	100%
Scott Wilson Maroc SARL-AU	Engineering Consultancy	N°9 rue Arryad, Appt. N°5 – Hassan, Rabat, Morocco	100%	100%

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

15 Investments (continued)

(a) Subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
Scott Wilson Eastern Africa Ltd	Engineering Consultancy	Upperhill, Building: Lr No 209/11260, Kenya-Re Towers, Nairobi, Kenya	100%	100%
Scott Wilson Central Asia LLP	Engineering Consultancy	134 Dostyk Avenue, Almaty 050051, Kazakhstan	100%	100%
Ferguson & McIlveen Holdings Limited	Holding company	Beechill House, Beechill Road, Belfast, BT8 7RP United Kingdom	100%	100%

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.

(b) Associates

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

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

15 Investments (continued)

(b) Associates (continued)

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

Name of Company	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2020	2019
The RC Management Company Limited	Not for profit	Block A Royal Court, Basil Close, Chesterfield, S41 7SL	49%	49%

(c) Joint ventures

	£ 000
Joint venture undertaking at cost:	
At 27 September 2019	101
Share of profit of joint ventures	108
Cash distributions received from joint ventures during the year	(95)
At 2 October 2020	114

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

Details of the 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 2020	2019
Ionia Odos	Joint Venture	OMEK Consulting Engineers SA 238, Kifissias Avenue Chalandri 152 31 Athens Greece	50%	50%

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

15 Investments (continued)

(c) Joint ventures (continued)

Central Greece E65	Joint Venture	OMEK Consulting Engineers SA 238, Kifissias Avenue Chalandri 152 31 Athens Greece	50%	50%

AECOM Infrastructure & Environment UK Limited holds 50% of the voting rights and nominal value of issued ordinary shares in the above joint ventures.

(d) Joint arrangements

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

Name of unincorporated interest	Country of operation	Principal activity	Percentage interest held
CVU	England	Consulting Engineers	20%

16 Debtors

	2020 £ 000	2019 £ 000
Trade debtors	19,181	25,115
Amounts owed by group undertakings	182,662	494,425
Amounts recoverable on contracts (contract assets)	18,795	26,392
Other debtors	2,885	2,393
Prepayments and accrued income	1,265	3,132
Corporation tax receivable	2,391	1,894
Deferred tax (see note 11)	48,650	37,786
	275,829	591,137

Trade debtors are stated after provisions for impairment of £2,258,000 (2019: £1,359,000).

There are no provisions for impairment on amounts owed by group undertakings (2019: £nil).

Amounts recoverable on contracts (contract assets) are stated after provisions for impairment of £266,000 (2019: £573,000).

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

16 Debtors (continued)

All debtors are due within one year with the exception of deferred tax of £45,745,000 (2019: £34,954,000) and corporation tax related credits of £2,525,000 (2019: £2,184,000) due in more than one year.

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 by fellow AECOM entities that are wholly owned subsidiaries of the ultimate parent undertaking. Balances owed from associates and joint ventures are disclosed in note 27.

Certain amounts owed between the Company and other group undertakings have the right of offset. Amounts owed by group undertakings have reduced significantly in the current year compared to the previous period as the Company now intends to settle intercompany balances with the right of offset on a net basis, or to realise intergroup amounts receivable and settle intergroup liabilities simultaneously. In the event that the Company did not have this intention in the current year, the amounts owed by group undertakings would have been £197,222,000 in the current year, with a corresponding adjustment to creditors (see note 18). The impact on net current assets and net assets is nil.

17 Investments - loans to group undertakings

	2020 £ 000	2019 £ 000
Amounts owed by group undertakings	21,105	-
	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 Company 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 by fellow AECOM entities that are wholly owned subsidiaries of the ultimate parent undertaking. Balances owed from associates and joint ventures are disclosed in note 27.

18 Creditors: amounts falling due within one year

	2020 £ 000	2019 £ 000
Obligations under finance and operating leases (see note 20)	1,338	190
Contract liabilities	15,198	14,815
Amounts owed to group undertakings	47,674	338,068
Pension scheme contributions outstanding	-	2,093
Other taxes and social security costs	12,185	12,879
Accruals and deferred income	11,835	5,909
	88,230	373,954

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

18 Creditors: amounts falling due within one year (continued)

There are no financial liabilities held at fair value through profit and loss (2019: nil).

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.

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 from associates and joint ventures are disclosed in note 27.

Certain amounts owed between the Company and other group undertakings have the right of offset. Amounts owed to group undertakings have reduced significantly in the current year compared to the previous period as the Company now intends to settle intercompany balances with the right of offset on a net basis, or to realise intergroup amounts receivable and settle intergroup liabilities simultaneously. In the event that the Company did not have this intention in the current year, the amounts owed to group undertakings would have been £62,233,000 in the current year, with a corresponding adjustment to debtors (see note 16). The impact on net current assets and net assets is nil.

Other than the Government's job retention scheme, the Company 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).

19 Creditors: amounts falling after more than one year

	2020 £ 000	2019 £ 000
Obligations under finance and operating leases (see note 20)	2,766	-

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

20 Leases

Leases included in creditors

	Computer equipment £ 000	Property £ 000	Total £ 000
At 28 September 2019	190	-	190
Effect of adoption of IFRS 16	-	5,832	5,832
At 28 September 2019 (restated)	190	5,832	6,022
Interest	18	223	241
Disposals	-	(164)	(164)
Payments	(204)	(1,791)	(1,995)
At 2 October 2020	4	4,100	4,104
Of which:			
Current balance at 2 October 2020	4	1,334	1,338
Non current balance 2 October 2020	-	2,766	2,766

The Company expects to make lease payments of £273,000 which fall due more than five years from 2 October 2020.

Lease profit and loss disclosure
The following are amounts recognised in the profit and loss account:

	2020 £ 000
Depreciation charged in the year on right of use assets	2,552
Interest expense on lease liabilities	241
Expenses relating to short term leases (included in administrative expenses)	286
Expenses relating to leases of low-value assets (included in administrative expenses)	103
Variable lease payments (included in administrative expenses)	836
	4,018

The Company had total cash outflow for leases of £2,313,000 in the year.

There are no significant future cash flows to which the Company 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 Company is not committed to any leases which have not yet commenced at the balance sheet date.

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

21 Provisions for liabilities

	Claims £ 000	Property costs £ 000	Other provisions £ 000	Total £ 000
27 September 2019:				
Current	1,221	1,916	-	3,137
Non-current	1,049	1,483	-	2,532
	2,270	3,399	-	5,669
Arising during the year	437	1,513	274	2,224
Utilised in the year	-	(1,451)	-	(1,451)
Reversal of unused amounts	(1,593)	(1,010)	-	(2,603)
At 2 October 2020:				
Current	875	2,067	274	3,216
Non-current	239	384	-	623
Total	1,114	2,451	274	3,839

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

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 Company.

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 Company'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.

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

22 Called up share capital

	2020		2019	
	No.	£ 000	No.	£ 000
Authorised				
Ordinary shares of £1 each	63,819,322	63,819	63,819,322	63,819
Allotted, called up and fully paid				
Ordinary shares of £1 each	63,819,322	63,819	63,819,322	63,819

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.

During the prior year, the Company transferred £33,819,320 from capital contribution reserve to share capital.

On 27 September 2019, the Company issued one new Ordinary share of £1 at a premium of £49,999,999, to a fellow group undertaking.

23 Pensions

Defined benefit schemes

The Company operates three 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), collectively the Scott Wilson Schemes.

The AECOM Group Pension Scheme was established to enable the consolidation of existing defined benefit pension plans. On 1 December 2016 assets and liabilities of the Defined Benefit Section of the Scott Wilson Pension Scheme were transferred into the AECOM Group Pension Scheme - Scott Wilson section, these were in respect of “Fund A benefits”. Assets and liabilities of "Fund B benefits", which related to a period when a member was in overseas service, remained in the Scott Wilson Pension Scheme.

The AECOM Group Pension Scheme is made up of separate segregated sections 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.

The assets of the Scott Wilson Pension Schemes are held separately from the Company and from each other and are controlled by a board of Trustees and corporate Trustee ('the Scott Wilson Trustees').

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

23 Pensions (continued)

Mercer LLP provide actuarial and consultancy advice for the Scott Wilson Pension Scheme and the AECOM Group Pension Scheme. Willis Towers Watson provide actuarial and consultancy advice for the Trustee of the Scott Wilson Shared Cost Section of the RPS. The Scott Wilson Schemes' actuaries, together with the Scott Wilson Trustees, undertake triennial valuations of the schemes' funded status, with interim assessments performed in the intervening years. The Scott Wilson Schemes' actuaries, Scott Wilson Trustees, in unison with the Company, 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.

The financial position of the Scott Wilson Schemes is set out below. The Company has agreed with the Scott Wilson Trustees a plan of additional contributions in order to address scheme deficits.

It is expected that the Company's total contributions for all Scott Wilson Schemes during the period to 30 September 2021 will be £14,554,000.

The following table contains the regular contributions (to include expenses) that have been made for each of the Schemes during the year:

	2020 **£ 000**
AECOM Group Pension Scheme – Scott Wilson Section	8,866
Scott Wilson Pension Scheme (SWPS)	803
Railways Pension Scheme (RPS) - Scott Wilson Shared Cost Section	1,339
	11,008

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 Company and the Trustee of the AECOM Group Pension Schemes on advice from the independent Scheme Actuary.

A full actuarial valuation was carried out at 30 September 2019. This valuation was finalised on 17 December 2020. The next valuation is at 30 September 2022, which will be undertaken by the Scheme Actuary, Mercer LLP.

As part of this plan the Company provided surety bonds to the Scheme, increasing member security. It is now expected that the Company's total contributions for the Scheme during the period to 30 September 2021 will be £12,400,000. Contributions will increase per annum from 2021, before reducing back down to a payment of £9,547,00 for the year ending 30 September 2031, before a final payment is made in November 2031 and at which point the deficit plan is reached.

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

23 Pensions (continued)

Scott Wilson Pension Scheme (SWPS)
A full actuarial valuation was carried out at 30 September 2019. This valuation was finalised on 14 December 2020. The next valuation is at 30 September 2022, which will be undertaken by the Scheme Actuary, Mercer LLP.

It is expected that the Company's total contributions for the Scheme during the period to 30 September 2021 will be £894,000. Contributions will increase per annum from 2021, rising to £1,172,000 for the year ending 30 September 2028, before a final payment is made in March 2029 and at which point the deficit plan is reached.

Railways Pension Scheme (RPS) - Scott Wilson Shared Cost Section
The RPS operates a 'shared-cost arrangement', whereby the Company meets 60% of the cost of providing benefits and the remaining 40% is attributable to the members. As at the start of the 2011 accounting period, the Company accordingly reflected 60% of the deficit at that date on the balance sheet.

Due to the worsening in the RPS funding position at the 31 December 2010 funding valuation, together with the reducing size of the active membership, there was a degree of uncertainty as to the extent to which a 60/40 sharing arrangement could be maintained, notwithstanding that is the Company's intention. Accordingly, since 31 December 2010, these financial statements attribute 100% of the RPS deficit to the Company.

The Scott Wilson Shared Cost Section of the Railways Pension Scheme is a defined benefit scheme. A full actuarial valuation was carried out at 31 December 2019 by Willis Towers Watson on an Attained Age method basis, but this is still in draft. The valuation is expected to be finalised before 31 March 2021. The next valuation is at 31 December 2022.

It is expected that the Company's total contributions for the Scheme during the period to 30 September 2021 will be £1,260,000.

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

23 Pensions (continued)

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

Asset information - all defined benefit schemes

	2020 £ 000	2019 £ 000
Scheme assets at fair value		
Equities	88,301	92,579
Bonds and debt securities	147,662	131,829
Property (pooled fund)	11,181	11,795
Cash and cash equivalents	9,108	32,873
Other investment funds	112,205	98,407
Fair value of scheme assets	368,457	367,483
Present value of scheme liabilities	(571,199)	(542,467)
Defined benefit pension deficit	(202,742)	(174,984)

The pension schemes have not invested in any of the Company's own financial instruments nor in properties or other assets used by Company. All schemes are in a net deficit position. 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 Profit and Loss Account and in the Statements of Comprehensive Income in respect of defined benefit schemes for the year are analysed as follows:

	2020 £ 000	2019 £ 000
Recognised in the profit and loss account		
Current service cost	320	274
Past service cost	-	1,864
Net interest on defined benefit liabilities	2,895	3,463
Administration expenses	578	622
	3,793	6,223

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

23 Pensions (continued)

	2020 £ 000	2019 £ 000
Taken to the Statement of Comprehensive Income		
Return on plan assets (excluding amounts included in interest income/(expense))	(1,145)	(47,723)
Actuarial gains and losses arising from experience adjustments	(13,228)	-
Actuarial gains and losses arising from changes in financial assumptions	26,895	92,040
Effects of changes in demographic assumptions	22,451	(4,126)
	34,973	40,191

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

	£ 000
Defined benefit obligation at 29 September 2018	456,061
Past service cost	1,864
Current service cost	274
Net interest on benefit obligation	11,595
Plan participants' contribution	150
Benefits paid	(15,391)
Actuarial (gains)/losses	87,914
Defined benefit obligation at 27 September 2019	542,467
Current service cost	320
Net interest on benefit obligation	9,109
Plan participants' contribution	132
Benefits paid	(16,947)
Actuarial (gains) / losses	36,118
Defined benefit obligation at 2 October 2020	571,199

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

23 Pensions (continued)

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

	£' 000
Fair value of plan assets at 29 September 2018	316,972
Interest income on plan assets	8,132
Contributions by employer	10,519
Contributions by employee	150
Administrative expenses	(622)
Benefits paid	(15,391)
Actuarial(gains)/losses	47,723
Fair value of plan assets at 27 September 2019	367,483
Interest income on plan assets	6,214
Contributions by employer	11,008
Contributions by employee	132
Administrative expenses	(578)
Benefits paid	(16,947)
Actuarial (gains)/losses	1,145
Fair value of plan assets at 2 October 2020	368,457

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 balance sheet 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)

23 Pensions (continued)

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

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

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

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

23 Pensions (continued)

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

Sensitivity analysis - all plans:

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

	2020 **£ 000**
Discount rate -25 basis points	28,834
Discount rate +25 basis points	(26,861)
Price inflation -25 basis points	(18,571)
Price inflation +25 basis points	19,680
Post-retirement mortality assumptions -1 year age rating	22,391

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

23 Pensions (continued)

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

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

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.

Defined contribution scheme

The Company operated a defined contribution section as part of the Scott Wilson Pension Scheme. This closed to new contributions on 31 December 2016 and liabilities were secured through a section 32 buy-out policy with Legal and General in September 2017. The defined contribution section was formally wound up in March 2018. All employees were invited to join the AECOM Group Personal Pension Plan from 1 January 2017.

GMP

Following the High Court judgement on 26 October 2018 in the Lloyds Banking Group case, overall pension benefits in the United Kingdom were equalised to eliminate inequalities between male and female participants in Guaranteed Minimum Pensions ('GMPs'). An additional immediate liability of £1,860,000 was recognised in the profit and loss account in 2019 as a result.

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. As a result, 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. The impact of such adjustment will be treated as a one off P & L past service cost, with the estimated maximum possible impact expected to be anywhere between £0 and £1,000,000 for the Company. Further extensive analysis and investigation is required, however, in order to determine the true impact of the ruling, including quantifying any adjustment that may be required in FY21 (if necessary).

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

24 Share-based payments

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

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.

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 price of awards exercised during the year and outstanding at year end.

	2020		2019	
	Stock Incentive Plan	**Sharesave**	Stock Incentive Plan	Sharesave
Exercised during the year	**6,813**	**23,591**	10,610	21,899
Weighted average price of awards exercised during the year	**£nil**	**£21.88**	£nil	£19.57
Outstanding at 2 October 2020 and 27 September 2019	**13,444**	**226,796**	19,104	120,941
Exercise price of awards outstanding at 2 October 2020 and 27 September 2019	**£nil**	**£21.61-£22.85**	£nil	£21.61-£22.85
Weighted average remaining contractual life of awards outstanding at 2 October 2020 and 27 September 2019	**0.9yrs**	**2.2yrs**	1.1yrs	2.0yrs

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

25 Reconciliation of profit before tax to cash flow from operating activities

	2020 £ 000	2019 £ 000
Profit before tax	1,008	3,756
Net interest expense and other finance costs	1,931	2,670
Depreciation of property, plant and equipment	1,117	2,289
Depreciation of right of use assets	2,552	-
Amortisation of intangible assets	6	18
Decrease/(increase) in debtors (including contract assets)	305,919	(193,633)
(Decrease)/increase in creditors (including contract liabilities)	(286,874)	142,442
(Decrease)/increase in provisions	(1,830)	656
(Profit)/loss on disposal of property, plant and equipment	(31)	251
Difference between pension charge and cash contributions	(10,110)	(9,179)
Share of Joint Ventures (profits)/losses	(13)	28
Non-cash and other movements	917	577
Net cash inflow from operating activities before tax	14,592	(50,125)

26 Contingent liabilities

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

Claims

Legal claims have been brought against the Company (or potential claims notified to the Company) by clients or other parties in respect of project delivery, all of which are notified to the Company'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 Company 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 21).

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

27 Related party transactions

During the year the Company entered into transactions in the ordinary course of business, with related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

Transactions entered into, and trading balances outstanding at year end with other related parties are as follows:

	Sales to related party £ 000	Purchases from related party £ 000	Dividends received £ 000	Amounts owed by related party £ 000	Amounts owed to related party £ 000
Joint Venture:					
AECOM Infrastructure & Environment UK Ltd-OMEK S.A. Ionia Odos					
At 2 October 2020	70	-	40	-	-
At 27 September 2019	107	-	-	48	-
AECOM Infrastructure & Environment UK LTD - OMEK S.A., Central Greece					
At 2 October 2020	253	-	-	-	-
At 27 September 2019	210	-	-	103	-

Terms and conditions with related parties

Sales and purchases between related parties are made on an arm's length basis. 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.

28 Changes in accounting policies

This note explains the changes in the Company's accounting policies due to the adoption of IFRS 16 Leases from 28 September 2019, including the impact of the adoption of this standard on the Company's financial statements.

(a) **Impact on the financial statements – IFRS 16 Leases**

The Company has 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 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.

28 Changes in accounting policies (continued)

(a) Impact on the financial statements – IFRS 16 Leases (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 Company 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 profit or loss 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 Company has elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company 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 Company used hindsight to determine which contracts exercised options to extend or terminate the lease.

The Company 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.

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

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

28 Changes in accounting policies (continued)

(a) Impact on the financial statements – IFRS 16 Leases (continued)

	As originally reported 2019 £ 000
Operating lease commitments at 27 September 2019	9,237
Operating lease commitments discounted at the incremental borrowing rate	8,360
Less: Short term and low value leases not recognised as a liability	(221)
Contracts reassessed as service agreements	(3,386)
Adjustments resulting from the different treatment of extension and termination options	970
Add finance lease liabilities recognised as at 27 September 2019	190
Other adjustments	109
Lease liabilities recognised at 28 September 2019	6,022
Of which:	
Current	1,751
Non-current	4,271
	6,022

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, where as 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)

28 Changes in accounting policies (continued)

(a) Impact on the financial statements – IFRS 16 Leases (continued)

	27 September 2019 (as originally presented)	IFRS 16	28 September 2019 (restated)
	£ 000	£ 000	£ 000
Fixed assets			
Property, plant and equipment (previously called Tangible assets)	5,583	(215)	5,368
Right of use assets	-	5,179	5,179
Current assets			
Debtors	591,137	(517)	590,620
Creditors: amounts falling due within one year	(373,594)	(1,271)	(374,865)
Net current assets	223,533	(1,788)	221,745
Total assets less current liabilities	267,224	3,176	270,400
Creditors: amounts falling due after one year	-	(3,651)	(3,651)
Net assets	86,571	(475)	86,096
Capital and reserves			
Retained earnings	(168,356)	(475)	(168,831)
Total equity	86,571	(475)	86,096

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
- Debtors - to reclassify prepayments within right of use assets, net of deferred tax recognised on the day 1 impairment 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
- Retained earnings - to reflect day 1 impairments taken on adoption of IFRS 16 using the modified retrospective approach.

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

29 Ultimate parent undertaking and controlling party

The Company's immediate parent is AECOM Design and Consulting Services UK Limited, incorporated in England and Wales.

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. The results of the Company are also included in the consolidated financial statements of AECOM Design & Consulting Services UK Limited which are publicly available from Aldgate Tower, 2 Leman Street, London, E1 8FA, United Kingdom.