

Registered number: 01846493

AECOM Limited

Report and Financial Statements

30 September 2022

Company Information

Directors AR Barker
MA Southwell
RS Whitehead
PS Ribeiro-Carvalho-Vieira
CD Wood

Secretary BM Taiwo

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Strategic Report

For the Year Ended 30 September 2022

The Directors present their Strategic Report for the year ended 30 September 2022.

The prior period of 12 months commenced on 3 October 2020 and ceased on 1 October 2021. The current period of 12 months commenced on 2 October 2021 and ceased on 30 September 2022.

Business review

The Company's principal activity during the year continued to be that of providing design and consulting (DCS) services to our UK customers.

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

	2022 £ 000	2021 £ 000	Change
Turnover/ Gross service revenue	492,673	450,173	9%
Net service revenue	331,898	297,073	12%
EBITA	30,423	28,742	6%
Turnover per technical staff member	136	132	3%
	No.	No.	
Average number of employees	4,021	3,779	6%
Days sales outstanding	42	45	(7)%

The Company's turnover and net service revenue (gross service revenue, net of subcontractor labour and other related direct costs) increased in 2022 due to increased turnover generated on projects in the Middle East, and also as a result of the implementation of the global AECOM 'Think and Act Globally' (TAG) strategy, which has seen revenue and profitability grow through the Company's involvement in multinational infrastructure projects across the globe. Furthermore, the Company continued to consolidate its position in existing key markets and core sectors whilst also managing costs, particularly in a high inflation environment.

Management monitor key performance indicators (KPIs) across the UK and Ireland business on an operating segment/ end market basis rather than on an individual entity level basis. In the 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.

Within total comprehensive income for the year are actuarial losses of £4,080,000 (2021: gains of £21,225,000). 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 increase in discount rates to a range of 5.30%-5.44%. This increase is due to macro-economic conditions which have increased the discount rates from previously lower levels.

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.

Strategic Report (continued)

For the Year Ended 30 September 2022

Principal risks and uncertainties (continued)

- **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. 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, as part of a group-wide treasury function.

- **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 is statutory employer to two segregated sections within a funded defined benefit pension scheme. 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 Trustee of the pension scheme to ensure that the assets and liabilities of the scheme is managed in a way which seeks to reduce the likelihood of unexpected cost to the Company.

- **Climate change risk**

AECOM assesses climate change risk through the framework outlined in the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. Through this framework, we assess both transitional and physical risks. Transitional risks include policy and legal, technology, market, and reputation risks. Physical risks can be both acute or chronic.

Strategic Report (continued)

For the Year Ended 30 September 2022

Principal risks and uncertainties (continued)

Climate change risk (continued)

We currently assess climate-related risks at two levels:

- We assess risk at a global and strategic level based on the TCFD recommendations. Climate change risk is a strategic consideration for AECOM globally, and a key aspect of AECOM's Sustainable Legacies Strategy. We understand that AECOM is subject to these risks and are currently working to advance the granularity with which we understand and quantify these risks. In managing these risks regionally, it is mandatory for all UK and Ireland offices to have resilience plans in place. The plans are subject to regular reviews to ensure any new and shifting climate risks are addressed.
- We also assess risk at a project level through our Environmental, Social and Governance (ESG) Risk framework, which flags riskier projects at bid stage so that we can ensure suitable mitigations are in place before moving forward. These risks include fossil fuel-related risks, particularly those supporting coal projects.

- **Other risks**

Macro economic factors affecting the UK economy continue to be a risk to all areas of the Company, however, the Company continues to monitor the impact of these risks on project delivery and financial performance. To date, the Company has not experienced any significant impact as a result of these risks.

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 strategy is aligned with that of the wider AECOM Group. The FY22-23 plan and strategy form the basis for financial budgets, resource plans and investment decisions, and also the future strategic direction of the Company.

Strategic Report (continued)

For the Year Ended 30 September 2022

Section 172 statement (continued)

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, social value, 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.

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.

Strategic Report (continued)

For the Year Ended 30 September 2022

Section 172 statement (continued)

Clients (continued)

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

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

Furthermore, the Company implemented the global AECOM TAG strategy in 2022. The Think and Act Globally strategy is focused on setting a new standard of excellence in the professional services industry by focusing on greater connectivity and collaboration across AECOM's global regions and core business lines. Growth is driven through prioritising core markets, leaning into our greatest strengths and ensuring our best talent and resources are focused on nurturing client relationships. We are transforming the way we deliver work through technology and digital platforms improving the client experience and increasing efficiency. Lastly, we are building upon our position as a leading ESG company, unified by our purpose to deliver a better world.

Government

The UK 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 through projects such as our work on the Ministry of Defence's defence estate and a wide range of projects for the Department for Business, Energy and Industrial Strategy (BEIS).

Community and environment

The communities and the environment are directly impacted by our business. Through our role as a global multidisciplinary consultancy business we help clients maximise the social, economic and environmental well-being 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. We 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.

Strategic Report (continued)

For the Year Ended 30 September 2022

Section 172 statement (continued)

Community and environment (continued)

We embed social value principles into our work. We promote supplier diversity and social value-based sustainable procurement methods, advance greater equity, diversity and inclusion within AECOM, make strategic community investments and partnerships, and manage, measure and report the impact of our social value activity.

Pension trustees

The assets of the pension scheme are managed by a corporate Trustee ('the Trustee'). The Trustee is responsible for ensuring that our pension scheme is run properly, and that members' benefits are secure. The defined benefit pension scheme of the Company represents a material obligation on the balance sheet of the Company.

It is critical that we engage with the Trustee regularly and openly throughout the year, to manage funding risks.

In line with guidance issued by the pension regulator for employers, our primary means of engagement during the year have been our internal pensions managers working closely with the Trustee to deal with all matters related to the pension schemes, as well as meeting with the Trustee on a regular basis at periodic Trustee meetings held throughout the year.

Principal decisions

During the year the Company may partake in significant transactions, including those with other AECOM group undertakings, which are typically reviewed by the Directors in conjunction with support from relevant specialists including tax, finance, legal and treasury to ensure that the transactions are being undertaken in the best interests of the Company's stakeholders.

There were no significant transitions or decisions undertaken by the Directors during the year.

On behalf of the Board



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CD Wood
Director
3 March 2023

Directors' Report

For the year ended 30 September 2022

Registered No: 01846493

The Directors present their report for the year ended 30 September 2022.

Results and dividends

The profit for the year after taxation amounted to £16,427,000 (2021: profit of £24,386,000). The Directors do not recommend the payment of a dividend (2021: £nil).

Principal activity

The Company is a subsidiary of AECOM. AECOM is a leading global provider of professional infrastructure consulting services for governments, businesses and organizations throughout the world. We provide advisory, planning, consulting, architectural and engineering design, construction and program management related services, and investment and development services to commercial and government clients worldwide in major end markets such as transportation, facilities, environmental, water and new energy.

The Company's principal activity during the year continued to be that of providing DCS services to our customers.

The Company operates branches in Greece and Bulgaria, 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 2023, growth is expected to arise through a combination of local and overseas opportunities, and winning and executing larger projects in partnership with AECOM across the globe.

The Directors will continue to monitor the impacts of the macroeconomic risks currently facing the Company as well as the other principal risks and uncertainties detailed in the Strategic Report above, and will take appropriate action as necessary to ensure the Company continues to operate as a going concern.

Directors of the Company

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

AN Jones (resigned 3 October 2022)

AR Barker

MA Southwell

RS Whitehead

PS Ribeiro-Carvalho-Vieira

CD Wood

CN Edwards (resigned 19 August 2022)

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

Directors' Report (continued)

For the year ended 30 September 2022

Directors of the Company (continued)

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 Company has net current assets of £169,946,000 and net assets of £218,602,000. When performing the going concern assessment from the date of approval of the Company's financial statements through to March 3, 2024 (the 'Going Concern period'), the Board has assessed whether the Company will be able to meet its liabilities as and when they fall due.

Included in the assessment is the cash held on deposit with a fellow subsidiary undertaking, AECOM Global Ireland Services Limited ("AGISL"). AGISL performs a group-wide treasury function. The Company has a sufficient right to access this cash held on deposit with AGISL.

The Board assessed the continuing impact of economic factors affecting the UK economy through stress testing of the Company's budgets and forecasts. The stress testing has considered the Company's operational cash flow performance based upon several scenarios (including the impact of cost inflation and any potential reduction in future revenues). The Directors have also performed reverse stress testing on the cash flow forecasts with severe, but plausible scenarios. The outcome of the sensitivity analysis indicated that the Company is expected to maintain positive cash flows throughout the Going Concern period.

After considering the above points, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the going concern period. 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 30 September 2022, 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 30 September 2022

Corporate governance (continued)

2. Board composition

The Board comprises 5 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. There were changes within the Board in the year and subsequent to year end, with the resignation of two directors.

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 than 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, individual's 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 pages 4 and 5.

Directors' Report (continued)

For the year ended 30 September 2022

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 5.

Climate change and emissions reporting

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

The Company's energy use for the year ended 30 September 2022 is the total energy consumption across all of its AECOM UK sites, including Scope 1 fleet vehicles and Scope 2 office energy consumption on rented and owned sites. The total energy use for the year ended 30 September 2022 was 5,777,216 kWh (2021: 10,995,941 kWh).

When converted, this provides a total gross Scope 1 and Scope 2 emissions/ MtCO₂e (metric tonnes of carbon dioxide equivalent) figure of 1,020 MtCO₂e (2021: 2,156 MtCO₂e). See further disclosures as presented below:

Emissions and energy consumption

	Unit of measurement	2022	2021
Scope 1	MtCO ₂ e	-	-
Scope 2	MtCO ₂ e	1,020	2,156
Scope 3	MtCO ₂ e	2,068	2,515

The total MtCO₂e as disclosed above for scope 1 and 2 combined is 1,020 (2021: 2,156), which when divided by the Company's turnover, equates to an intensity ratio for the current year of 0.0000021 (2021: 0.0000048).

Directors' Report (continued)

For the year ended 30 September 2022

Climate change and emissions reporting (continued)

Scope 1 emissions as disclosed above relate entirely to fleet transport from Company owned or long term leased vehicles. The value disclosed above of nil (2021: nil) is owing to the fact that owned/ leased vehicles are substantially all electric, and therefore any relevant emissions have been included in scope 2. Gas is accounted for in scope 2 due to AECOM being an office tenant rather than owner across the vast majority of the real estate portfolio. The total gross Scope 3 emissions disclosed above include business travel in rental cars or employee owned vehicles where the Group is responsible for purchasing the fuel.

The following table provides information on the methodology used to calculate the figures presented above:

Data methodology

Scope	Emission Sources	Calculation	Activity Data	Emission Factors	Quality Assurance
Scope 1 Direct Emissions	Emissions from AECOM-owned and leased road vehicles	Fuel consumed x Emissions Factors (EF) x Global Warming Potential (GWP), or, Miles traveled x EF x GWP.	Fleet managers and procurement collate fuel consumption data provided by fuel card suppliers, or mileage data from vehicle odometers, and uploads to a global emissions management platform.	Emission factors from the global emissions management platform database are applied according to the specific activity.	Assigned AECOM personnel review entered data compared to data for previous time periods to confirm or correct. Additionally, an automatic check of the data by the global emissions management system prompts an email to AECOM users if the entered values meet certain criteria requiring further data confirmation.
Scope 2 Indirect Emissions	Emissions from purchased energy (electricity and heat) in AECOM-owned and leased facilities (location-based)	Electricity consumed x EF x GWP, allocated by office and by headcount numbers.	Facility managers collate energy consumption data from meter readings if one exists in AECOM's domain, directly from landlords, or from energy brokers via online portals, and uploads to the global emissions management platform.	Location-based emission factors from the global emissions management platform database.	Management platform prompts an email to AECOM users if the entered values meet certain criteria requiring further data confirmation.

Directors' Report (continued)

For the year ended 30 September 2022

Data methodology (continued)

Scope	Emission Sources	Calculation Activity Data	Emission Factors	Quality Assurance
Scope 3 Other Indirect Emissions	Emissions from business travel (aeroplane/train/ rental vehicles, hotels, meals, events, trade shows, travel agencies, etc.)	Spend x EF x GWP, % allocated by headcount numbers AECOM exports and classifies accounts payable and credit card spend data from transactional systems and works with an external supplier to map each spend item to a relevant sector in the vendors database. This is used to calculate global business travel emissions. A proportion of this is then allocated to the UK business based on headcount numbers.	External supplier applies a vendor-specific emission factor if available, otherwise a sector-specific emission factor is applied according to the spend classification.	AECOM's procurement team reviews the classifications to verify appropriate assignments and validates total spend quantity for the data prior to providing to the external supplier.

The following sources were used for the kWh conversion factors. Due to using a global emissions management platform hosted in the Americas there was a need to convert some sources from US to UK:

Conversions Used	Source and Link
mmbtu to KWH	https://www.eia.gov/energyexplained/units-and-calculators/energy-conversion-calculators.php
Conversion from gallons US diesel to BTU	https://www.eia.gov/energyexplained/units-and-calculators/energy-conversion-calculators.php
Conversion from gallons US gasoline to BTU	https://www.eia.gov/energyexplained/units-and-calculators/energy-conversion-calculators.php
Petrol cars litres per 100km	Energy and environment: data tables (ENV) - GOV.UK (www.gov.uk)
Diesel cars litres per 100km	Energy and environment: data tables (ENV) - GOV.UK (www.gov.uk)
Litres to gallons	https://www.eia.gov/energyexplained/units-and-calculators/energy-conversion-calculators.php
BTU to KWH	https://www.eia.gov/energyexplained/units-and-calculators/energy-conversion-calculators.php

Directors' Report (continued)

For the year ended 30 September 2022

Data improvements

During the prior year AECOM globally launched a Data Improvement Task Force as part of a Corporate Environmental Working Group covering scope 1, 2 and 3 data. The aim of the Task Force is to improve data collation and analysis. As such, data accuracy has improved, including having our global scope 1, 2 and business travel data externally verified during the year. We are regularly looking at ways to improve our data accuracy including for previous years where material, and therefore data might be subject to change accordingly. We have not restated any comparative data for 2021. We have also published our 2022 Global ESG Report in line with the Sustainability Accounting Standards Board (SASB) and Task Force on Climate-related Financial Disclosures (TCFD) frameworks.

Emissions reductions measures implemented during the current year

In April 2022 AECOM updated our industry-leading Sustainable Legacies environmental, social and governance (ESG) strategy, which was launched in 2021. In the span of one year, it has allowed AECOM to transform those principles into practice, channelling our decades of experience into delivering the latest ESG services to solve our clients' most complex projects today and into the future, while challenging our teams to take our own actions even further. Sustainable Legacies is built on four pillars: embedding sustainable development and resilience across our work; improving social outcomes; achieving net zero carbon emissions; and enhancing our governance. These themes drive the delivery of projects and initiatives that are elevating our ESG position in every region we serve.

We have re-aligned our existing Science Based Targets (SBTs) to a 1.5 degrees warming trajectory, which for AECOM means Science-based Net Zero by 2040 across Scopes 1, 2 and 3. AECOM were one of first companies globally to have these targets validated by the Science Based Targets initiative. As part of this target, we are committed to:

- Reducing Scope 1 and 2 emissions by 60% by 2030 (compared with 2018) - Globally AECOM reduced Scope 1 and 2 emissions, covering fleet vehicles and office energy respectively, by 47% from our FY18 baseline year using key travel and real estate initiatives. We made progress against this commitment in various ways which included right-sizing our office space, improving office energy efficiency, and implementing sustainability guidelines for future office refurbishments and re-locations. Our Workplace of the Future and Freedom to Grow initiatives helped increase work flexibility and allowed further real estate consolidation and travel reductions. Many AECOM offices also have 'Green Teams', volunteer sustainability champions targeting emissions reductions from energy and transport, for example through 'switch off' campaigns and sustainable travel plans. Our staff who work from home are encouraged to follow our 'How to Create a Greener Home' guide, developed by AECOM's in-house corporate sustainability team. In UK & Ireland since 2019 all energy purchased directly by the Company for offices comes from green sources. We are also replacing older vehicles, making better use of telematics to improve driving efficiency, transitioning to hybrid and electric vehicles where available and providing office EV charging infrastructure where feasible.

Directors' Report (continued)

For the year ended 30 September 2022

Emissions reductions measures implemented during the current year (continued)

- Reducing Scope 3 emissions by 50% by 2030 (compared with 2018) - Reducing our Scope 3 emissions means focusing on our supply chain emissions and business travel. We have started a supplier engagement exercise reaching out to over 7,000 of our top suppliers to understand what they're doing on carbon and supporting them in setting targets and decarbonising themselves. Our Sustainable Procurement Policy ensures emissions reduction is a key part of our supplier onboarding and we are also starting an exercise to improve data collection and allow strengthening of procurement criteria around ESG. AECOM is committed to improving travel performance by implementing our Travel with Purpose guidance prioritising digital tools instead of travelling (for business and commuting), and if travel is necessary, prioritising sustainable modes of travel (e.g. walking, cycling, public transportation and zero emissions vehicles) in conjunction with a location-specific risk assessment.

- Reducing all emissions by 90% by 2040 (compared with 2018) and offsetting remaining emissions in 2040 through high quality carbon removal projects - Achieving this long-term reduction target will mean building on the initiatives across all Scopes put in place for our 2030 targets. We have initiated work on our own pilot natural climate solution projects for carbon offsetting. These projects could work through ecosystem conservation, restoration or habitat creation, which will also support biodiversity enhancement and improve social outcomes for local communities. This is utilising our technical expertise gained from projects such as the Natural Capital Laboratory and by forming external partnerships with project development partners to scale support for climate, people and nature.

We also achieved operational net zero in 2021, have maintained this in 2022 and commit to holding operational net zero status annually. We achieved operational net zero through reduction of Scope 1 and 2 emissions in line with climate science and offsetting remaining emissions. That included the purchase of renewable energy certificates and carbon credits from a portfolio of wind energy projects. We have been working on initiatives to ensure we maintain this status into 2023.

We have a global target to reduce carbon impact by at least 50% on all major projects. This is through our Scope X™ approach which considers embodied and operational carbon across the entire lifecycle with the aim of reducing carbon impact by at least 50% compared to industry norms on major projects. Whether it's reducing Scope 1, 2, and 3 emissions, or supporting the development of clients' carbon strategy, ScopeX™ considers materials, site locations, logistics and construction methods to reduce and eliminate the impact of projects on the natural environment. We minimize energy use and optimise sources of renewable power to eliminate carbon emissions and meet clients' carbon goals. The foundation of ScopeX™ is early engagement with clients. By determining what is critical for their project, we then deploy the best design solutions and digital tools to design the optimal solution for carbon reduction, all while tracking our total impact over time. ScopeX™ includes an evolving digital platform, informed by the ongoing collection and analysis of client and project data to inform the development of future tools, and refinement of our services. We believe that ScopeX™ will be our biggest contribution to help end the climate emergency.

Directors' Report (continued)

For the year ended 30 September 2022

Emissions reductions measures scheduled for 2023

During 2023 we will continue to focus more on implementation against our various strategies and commitments. That includes our Workplace of the Future and Freedom to Grow initiatives, through which we will consider sustainability guidelines and right-sizing as key elements of real estate decision making. We will also continue to look to increase our usage of renewable energy, liaising with landlords and other tenants as necessary to do so. We will continue to switch out our vehicles for low emissions vehicles and using telematics more widely to inform behaviour change initiatives.

For Scope 3 we will have a big focus on supplier engagement to reduce supply chain emissions. This includes over the next year taking part in engagements with around 1,000 suppliers to further support them in measuring emissions and achieving net zero, using our regional supplier engagement representatives to do so. We will also further embed carbon reduction into our procurement processes through our Source to Pay initiative, which would allow us in future years to use this more as a key decision making factor. From a business travel perspective we will roll out regional carbon targets which will allow regions to put in place reduction initiatives and ensure that we are on track with required reduction globally. This is part of a broader effort to push KPIs on carbon reduction throughout the business.

We will continue to explore partnership options for our own pilot natural climate solution projects and purchasing carbon credits from high quality sources to maintain our operational net zero status.

To progress Scope XTM there will be more effort to gather data, build out tools and implement our process in projects. This will allow continued progress to be made in the accuracy of our process and also in real-world carbon reduction too.

Disclosure of information to the auditor

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 auditor, 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 auditor in connection with preparing their report) of which the Company's auditor is 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 auditor is aware of that information.

On behalf of the Board



.....
CD Wood
Director

3 March 2023

Statement of Directors' Responsibilities

For the year ended 30 September 2022

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 Limited

Opinion

We have audited the financial statements of AECOM Limited for the year ended 30 September 2022 which comprise the Profit and Loss Account, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, Statement of Cash Flows, and the related notes 1 to 27, 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 Company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

- We assessed the risk of going concern in planning our audit and again at the year-end phase;
- We confirmed our understanding of the process followed by management to prepare the Company's going concern assessment, including assessing the ongoing impact of economic factors affecting the UK economy;
- We obtained management's going concern assessment, including the cashflow forecast for the going concern period to 3 March 2024;
- We identified and challenged the key assumptions underlying managements forecasts and models by checking to corroborative evidence. We also searched for contrary evidence to challenge the assumptions;
- We performed our own sensitivity analysis on the forecast in addition to sensitivity analysis performed by management;
- We performed reverse stress testing on the forecast prepared by management;
- We checked the logic and arithmetical accuracy of the models developed by management;
- We assessed the accuracy of management forecasting by comparing forecasts made in prior period to actual outcome;
- We assessed the accuracy and appropriateness of management's disclosure in the Directors' Report and the Going Concern basis of preparation note;

Independent Auditor's Report to the Member of AECOM Limited (continued)

Conclusions relating to going concern (continued)

- We obtained and evaluated management's going concern assessment, which details the current financial position including the cash held on deposit with a fellow subsidiary undertaking, AECOM Global Ireland Services Limited ("AGISL"). We noted that AGISL performs a group wide treasury function and the Company has the right to sufficiently access this cash held on deposit with AGISL should it be required; and
- We assessed the completeness and appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Other information

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

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept 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 Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the Member of AECOM Limited (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 17, 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.

Auditor 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud:

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

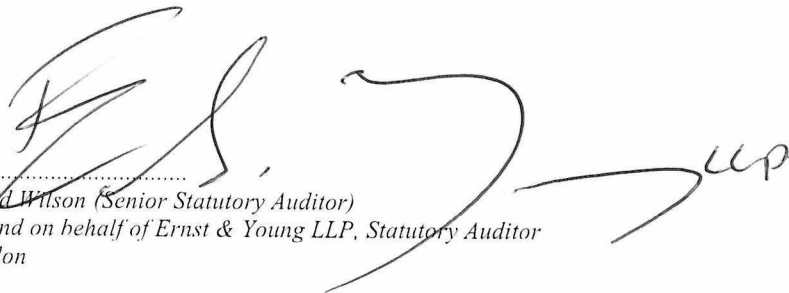
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework, Companies Act 2006, Bribery Act 2010, laws and regulations relating to health and safety and employee matters and relevant tax compliance regulations in the jurisdictions in which the Company operates.
- We understood how the Company is complying with those frameworks by enquiry with management, and by identifying the policies and procedures regarding compliance with laws and regulations. We corroborated our enquiries through our review of board minutes, compliance issues reported through a whistleblowing hotline and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by enquiry with management (including legal) and those charged with governance to understand where they considered there was susceptibility of fraud. As part of this, we understood the performance targets of management. We also considered the risk of management override.
- Based on this understanding, we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing manual journals and other journals identified by specific risk criteria, review of board minutes and any legal correspondence, enquiries with external legal counsel, senior management and where applicable, those charged with governance and obtaining written representations from the Directors of the Company.

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.

Independent Auditor's Report to the Member of AECOM Limited (continued)

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: 3 March 2023

AECOM Limited

Profit and Loss Account For the year ended 30 September 2022

	Notes	2022 £ 000	2021 £ 000
<i>Turnover</i>	4	492,673	450,173
Cost of sales		<u>(343,284)</u>	<u>(318,824)</u>
<i>Gross profit</i>		149,389	131,349
Administrative expenses		(121,194)	(107,974)
Other operating income	5	<u>-</u>	<u>306</u>
<i>Operating profit</i>	6	28,195	23,681
Share of profit of joint venture	15	1,315	1,457
Interest receivable and similar income	9	1,473	1,183
Interest payable and similar charges	10	(6,978)	(5,541)
Impairment charge on fixed asset investments	15	(6)	-
Other finance income/ (cost) - pensions	22	<u>142</u>	<u>(142)</u>
<i>Profit on ordinary activities before taxation</i>		24,141	20,638
Tax (expense)/ income on profit on ordinary activities	11	<u>(7,714)</u>	<u>3,748</u>
<i>Profit for the financial year</i>		<u>16,427</u>	<u>24,386</u>

All amounts relate to continuing operations.

Statement of Comprehensive Income
For the year ended 30 September 2022

	Notes	2022 £ 000	2021 £ 000
<i>Profit for the financial year</i>		<u>16,427</u>	<u>24,386</u>
Other Comprehensive Income			
<i>Other comprehensive income that may be reclassified to the profit and loss account in subsequent periods (net of tax):</i>			
Exchange gain on translation of foreign operations		<u>14,327</u>	<u>1,262</u>
Net other comprehensive income that may be reclassified to the profit and loss account in subsequent periods		<u>14,327</u>	<u>1,262</u>
<i>Other comprehensive income that will not be reclassified to the profit and loss account in subsequent periods (net of tax):</i>			
Actuarial (loss)/ gain on defined benefit pension schemes	22	(4,080)	21,225
Tax income/ (expense) on items relating to components of other comprehensive income	11	<u>919</u>	<u>(4,704)</u>
Net other comprehensive income that will not be reclassified to the profit and loss account in subsequent periods		<u>(3,161)</u>	<u>16,521</u>
Other Comprehensive Income, net of tax		<u>11,166</u>	<u>17,783</u>
Total Comprehensive Income for the year		<u>27,593</u>	<u>42,169</u>

Statement of Changes in Equity
For the year ended 30 September 2022

	Share capital £ 000	Share premium £ 000	Currency translation reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 3 October 2020	17,525	84,575	(291)	45,920	147,729
Profit for the year	-	-	-	24,386	24,386
Other comprehensive income	-	-	1,262	16,521	17,783
Deferred tax effect of share based payments	-	-	-	1,030	1,030
At 1 October 2021	<u>17,525</u>	<u>84,575</u>	<u>971</u>	<u>87,857</u>	<u>190,928</u>
	Share capital £ 000	Share premium £ 000	Currency translation reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 2 October 2021	17,525	84,575	971	87,857	190,928
Profit for the year	-	-	-	16,427	16,427
Other comprehensive income	-	-	14,327	(3,161)	11,166
Deferred tax effect of share based payments	-	-	-	81	81
At 30 September 2022	<u>17,525</u>	<u>84,575</u>	<u>15,298</u>	<u>101,204</u>	<u>218,602</u>

AECOM Limited

Balance Sheet At 30 September 2022

	Notes	30 September 2022 £ 000	1 October 2021 £ 000
Fixed assets			
Intangible assets	12	53,818	54,674
Property, plant and equipment	13	15,303	14,205
Right of use assets	14	70,562	57,873
Investments	15	2,837	3,079
Defined benefit pension plan surplus	22	30,068	34,262
		<u>172,588</u>	<u>164,093</u>
Current assets			
Debtors	16	424,877	317,857
Cash at bank and in hand		5,932	4,452
		<u>430,809</u>	<u>322,309</u>
Creditors: amounts falling due within one year	17	<u>(260,863)</u>	<u>(190,574)</u>
Net current assets		<u>169,946</u>	<u>131,735</u>
Total assets less current liabilities		<u>342,534</u>	<u>295,828</u>
Creditors: amounts falling due after more than one year	18	(68,542)	(56,265)
Provisions for liabilities	20	(29,513)	(22,451)
Defined benefit pension plan deficit	22	<u>(25,877)</u>	<u>(26,184)</u>
Net assets		<u>218,602</u>	<u>190,928</u>
Capital and reserves			
Share capital	21	17,525	17,525
Share premium account		84,575	84,575
Retained earnings		101,204	87,857
Currency translation reserve		15,298	971
Total equity		<u>218,602</u>	<u>190,928</u>

The notes on pages 28 to 83 form an integral part of these financial statements.
Page 25

Balance Sheet

At 30 September 2022 (continued)

These financial statements were approved by the Board on 3 March 2023 and signed on its behalf by:



.....
CD Wood

Director

Statement of Cash Flows
For the year ended 30 September 2022

	Note	2022 £ 000	2021 £ 000
<i>Cash flows from operating activities</i>			
Cash generated from operations	24	23,573	20,591
Taxation paid		(794)	(286)
Net cash from operating activities		22,779	20,305
<i>Cash flows from investing activities</i>			
Interest received		4	-
Dividends received from subsidiaries		-	733
Cash distributions received from joint ventures during the year		1,550	1,425
Purchase of property, plant and equipment		(5,491)	(3,453)
Proceeds from disposal of property, plant and equipment		80	-
Purchase of intangible fixed assets		(72)	(109)
Net cash used in investing activities		(3,929)	(1,404)
<i>Cash flows from financing activities</i>			
Interest paid		(613)	(487)
Repayments of interest and principal portion of lease liabilities		(16,757)	(18,099)
Net cash used in financing activities		(17,370)	(18,586)
<i>Net increase in cash and cash equivalents</i>		<u>1,480</u>	<u>315</u>
Cash and cash equivalents at the beginning of the year		<u>4,452</u>	<u>4,137</u>
Cash and cash equivalents at the end of the year		<u>5,932</u>	<u>4,452</u>

Within the reported cash balance there is £113,000 (2021: £521,000) of restricted cash.

Please see note 19 of the financial statements for further details regarding changes in liabilities arising from financing activities.

Notes to the Financial Statements At 30 September 2022

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

The financial statements of AECOM Limited (the Company) for the year ended 30 September 2022 were authorised for issue by the Board on 3 March 2023 and the balance sheet was signed on the Board's behalf by CD Wood. 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 s401 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of AECOM, a Company incorporated in the USA. 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 13355 Noel Road, Suite 400, Dallas, Texas, 75240, United States of America. This is the smallest and largest 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:

2.1 Judgements

(a) Revenue recognition

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.

Notes to the Financial Statements
At 30 September 2022 (continued)

2 Judgements and key sources of estimation uncertainty (continued)

2.1 Judgements (continued)

(b) 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). The lease term is considered to be the non-cancellable term of the lease.

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 30 September 2022, 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.

Sublease assumptions on exited properties

When the Company commits to exiting a property, in determining the fair value of the 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 30 September 2022 (continued)

2 Judgements and key sources of estimation uncertainty (continued)

2.1 Judgements (continued)

(c) Provisions

The Company recognizes provisions in these financial statements when, and only when, the Company has a legal or constructive obligation as a result of a past event, it is considered probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. In determining the amount of the provision, management considers all facts and circumstances including assessments made by internal and external specialists, and hence provisioning can be considered a key judgement made by management. The Company reviews the criteria for recognising any potential provisions on a regular basis.

2.2 Estimates

(a) Lease accounting

Discounting future lease payments

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 2.20%-4.58% translating to an average rate of 3.39%. An increase or decrease to the incremental borrowing rates of 0.5% would not result in a significant change in the carrying values of lease liabilities or right of use assets as at the balance sheet date.

(b) Investments and goodwill

The Company has indefinite lived assets in the form of investments in subsidiaries and goodwill. The Company determines, at the end of each reporting period, 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 at the end of each reporting period 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 (where applicable). 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. The Company reviews the appropriateness of assumptions made on a regular basis.

Notes to the Financial Statements
At 30 September 2022 (continued)

2 Judgements and key sources of estimation uncertainty (continued)

2.2 Estimates (continued)

(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 22.

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 (see note 3.4 for further details).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 September 2022.

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.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.2 Summary of disclosure exemptions (continued)

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

xi. 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

There are no accounting standards, amendments or IFRIC interpretations that are effective for the year ended 30 September 2022 which have had a material impact on the Company.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.4 Going concern

The Company has net current assets of £169,946,000 and net assets of £218,602,000. When performing the going concern assessment from the date of approval of the Company's financial statements through to March 3, 2024 (the 'Going Concern period'), the Board has assessed whether the Company will be able to meet its liabilities as and when they fall due.

Included in the assessment is the cash held on deposit with a fellow subsidiary undertaking, AECOM Global Ireland Services Limited ("AGISL"). AGISL performs a group-wide treasury function. The Company has a sufficient right to access this cash held on deposit with AGISL.

The Board assessed the continuing impact of economic factors affecting the UK economy through stress testing of the Company's budgets and forecasts. The stress testing has considered the Company's operational cash flow performance based upon several scenarios (including the impact of cost inflation and any potential reduction in future revenues). The Directors have also performed reverse stress testing on the cash flow forecasts with severe, but plausible scenarios. The outcome of the sensitivity analysis indicated that the Company is expected to maintain positive cash flows throughout the Going Concern period.

After considering the above points, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the going concern period. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

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 on a 5 step model, 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.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.5 Turnover and contracts (continued)

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 30 September 2022 (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 combinations

In the infrastructure industry there may be multiple contractual arrangements between parties and the ultimate end customer, or, amongst various suppliers. Contracts with different customers are combined when certain criteria are met, such as when the contracts are economically linked. Conversely, a single contract may be segmented into, effectively, multiple contracts under certain circumstances.

Contracts entered into at or near the same time with the same customer (or related parties of that customer) are combined providing one or more of the following conditions is also met:

- The contracts are negotiated with a single commercial objective, or
- The amount of the consideration in one contract depends on the other contract, or
- The goods or services promised are a single performance obligation.

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.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.5 Turnover and contracts (continued)

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 contract assets 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.

(b) Dividend income

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

3.7 Government grants

Government grants are recognised at fair value 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 on a straight line basis over the expected useful life of the related asset.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

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 at the end of each reporting period. 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 current and prior year would have been £3,014,000 lower had goodwill been amortised.

(b) Other intangible assets

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

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

Backlog - 5 years

Customer relationships - 5 - 10 years

Software, licenses and patents - 3 - 15 years

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

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.8 Intangible assets (continued)

(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

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

Furniture and equipment - 7-10 years

Computer equipment - 4-5 years

Leasehold property and improvements - shorter of 10 years and the term of the lease *

Motor Vehicles - 5 years

* there are some leases with a term greater than 10 years that are being depreciated over the term of the lease. These are by exception, as approved by senior management.

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 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.10 Investments

The Company has investments in subsidiaries, joint operations, joint ventures and associates.

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

For joint operations, the Company recognizes its interests in joint operations by reflecting its line by line share of the revenue, expenses, assets and liabilities of the joint operation under each relevant heading within the profit and loss account and balance sheet.

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. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method of accounting for investments in joint ventures, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the joint venture since the acquisition date.

The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. The Company determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and other facts and circumstances.

The carrying values of investments are reviewed for impairment at each reporting date. If an indicator of impairment exists, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within the profit and loss account.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

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 3.19.

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.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.13 Income taxes (continued)

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.

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

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, except for the leases which qualify for short term lease exemptions, the rental charge in the profit and 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.

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.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.15 Leases (continued)

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 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.16 Pensions

The Company is statutory employer to two segregated sections within a funded defined benefit pension scheme, both of which require contributions to be made to separately administered funds. The plans have all been closed to new members for several years. At the close of each scheme, membership of a defined contribution plan was offered to those affected.

The 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 and 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 section of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of section 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 section or reductions in the future contributions.

The Company also operates one defined contribution plan. The contributions are charged in the profit and loss account as they become payable in accordance with the rules of the plan.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

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).

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.

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 debtors and amounts owed by group undertakings

Trade 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.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.18 Trade debtors, other debtors and amounts owed by group undertakings (continued)

Other debtors are recognised at the lower of their original invoiced value or their recoverable amount. Where the time value of money is not material, other debtors are carried at amortised cost. Expected credit losses are measured in relation to the Company's historic default experience of other debtors, which has typically been zero and therefore based on the nature of the balance and history of default, no provision has been made in respect of this balance.

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).

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, 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 rate (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.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

3.19 Financial instruments (continued)

(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 expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the profit and loss account.

(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.

Notes to the Financial Statements
At 30 September 2022 (continued)

3 Significant accounting policies (continued)

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.

4 Turnover

Turnover recognised in the profit and loss account, net of value added tax, for both 2022 and 2021, relates entirely to the rendering of services.

An analysis of turnover by geographical market is given below:

	2022 £ 000	2021 £ 000
United Kingdom	355,136	363,136
Europe	22,215	26,417
Middle East	108,130	53,121
Rest of the World	7,192	7,499
	<u>492,673</u>	<u>450,173</u>

The Company recognised revenue in the period of £30,408,000 (2021: £24,002,000) that was included in the contract liabilities balance at the beginning of the current 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:

	2022 £ 000	2021 £ 000
Government grants	<u>-</u>	<u>306</u>

Notes to the Financial Statements
At 30 September 2022 (continued)

5 Other operating income (continued)

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

6 Operating profit

This is stated after charging/ (crediting):

	2022 £ 000	2021 £ 000
Depreciation of property, plant and equipment	4,251	4,747
Depreciation of right of use assets	14,033	14,498
Amortisation of intangibles	919	2,871
Impairment charge/ (reversal) on right of use assets	24	(334)
(Profit)/ loss on sale or disposal of property, plant and equipment and intangible assets	(24)	14
Share-based payment expense	1,714	3,156
Net foreign currency losses/ (gains)	<u>12</u>	<u>(932)</u>

Items affecting operating profit in relation to right of use assets and lease liabilities are disclosed in note 19.

The Company's research and development expenditure qualifying for research and development expenditure credit (RDEC) in the prior year was £33,417,000. 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.

Notes to the Financial Statements
At 30 September 2022 (continued)

7 Auditor's remuneration

The Company paid the following amounts to its auditor in respect of the audit of the financial statements and for other non-audit services provided to the Company and other entities within the AECOM UK Group:

	2022 £ 000	2021 £ 000
Audit of the financial statements of the Company	397	353
Audit fees borne in connection with the audit of other group companies	175	259
Taxation compliance services	-	6
All other assurance services	10	12
	<u>582</u>	<u>630</u>

8 Staff costs and Directors' remuneration

(a) Staff costs

	2022 £ 000	2021 £ 000
Wages and salaries	205,726	189,222
Social security costs	22,851	20,271
Other pension costs	10,824	10,075
	<u>239,401</u>	<u>219,568</u>

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:

	2022 No.	2021 No.
Engineering and technical	3,634	3,405
Administration and finance	387	374
	<u>4,021</u>	<u>3,779</u>

Notes to the Financial Statements
At 30 September 2022 (continued)

8 Staff costs and Directors' remuneration (continued)

(b) Directors' remuneration

	2022 £ 000	2021 £ 000
Directors' remuneration	2,629	1,694
Company contributions to money purchase schemes	43	33
	<u>2,672</u>	<u>1,727</u>
	2022 No.	2021 No.
Number of Directors who received shares in respect of qualifying services	7	3
Number of Directors who exercised share options	2	-
Number of Directors accruing benefits under money purchase schemes	<u>5</u>	<u>6</u>
In respect of the highest paid Director:		
	2022 £ 000	2021 £ 000
Aggregate remuneration	<u>729</u>	<u>334</u>

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

The remuneration detailed above includes the total remuneration of all Directors of the Company during the year. One of the Directors is employed and paid by an entity that is not part of the AECOM UK group. Of the remaining Directors, all except for one of them are employed by and paid by another UK entity.

The Directors provide services not only to the AECOM UK group but also to AECOM entities in other jurisdictions, and hence some of their employment costs will be recharged to those other AECOM regions via a cost allocation process. This also applies to the one Director who is paid by the non UK entity.

The Directors do not believe that it is practicable to apportion their total remuneration between their services provided as Directors of the Company and their services provided to other AECOM entities.

During the year, amounts totalling £80,000 (2021: £79,000) were recognised as an expense in respect of aggregate compensation relating to Directors of the Company and fellow group undertakings, relating to their retirement from office.

Notes to the Financial Statements
At 30 September 2022 (continued)

9 Interest receivable and similar income

	2022 £ 000	2021 £ 000
Dividend income	-	733
Interest receivable from group undertakings	1,469	450
Other interest income	4	-
	<u>1,473</u>	<u>1,183</u>

On 13 April 2021 the Company received a dividend of £733,000 from its wholly owned subsidiary Maunsell Structural Plastics Limited.

10 Interest payable and similar expenses

	2022 £ 000	2021 £ 000
Interest expense on lease liabilities	2,942	3,206
Interest payable to group undertakings	3,310	1,821
Other finance costs	726	514
	<u>6,978</u>	<u>5,541</u>

Notes to the Financial Statements
At 30 September 2022 (continued)

11 Taxation

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

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

	2022 £ 000	2021 £ 000
<i>Current income tax:</i>		
UK corporation tax	-	-
Foreign tax	639	170
Amounts underprovided in previous years	2,513	-
Total current income tax	<u>3,152</u>	<u>170</u>
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	5,165	1,503
Amounts overprovided in previous years	(192)	(42)
Impact of change in tax laws and rates	(411)	(5,379)
Total deferred tax	<u>4,562</u>	<u>(3,918)</u>
<i>Tax expense/ (income) in the profit and loss account</i>	<u>7,714</u>	<u>(3,748)</u>

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

	2022 £ 000	2021 £ 000
<i>Current tax</i>		
Total current income tax expense/ (income)	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Actuarial (gains)/ losses on defined benefit pension plans	(938)	4,289
Impact of changes in tax laws and rates	19	415
Total deferred tax (income)/ expense	<u>(919)</u>	<u>4,704</u>
<i>Tax (income)/ expense in the statement of other comprehensive income</i>	<u>(919)</u>	<u>4,704</u>

Notes to the Financial Statements
At 30 September 2022 (continued)

11 Taxation (continued)

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

The tax charge on the profit for the year differs from the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £ 000	2021 £ 000
Profit from continuing activities before tax	24,141	20,638
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	4,587	3,921
<i>Effects of:</i>		
Expenses not deductible for tax purposes	163	237
Income not taxable	(456)	(1,145)
Group relief received for nil payment	-	(1,901)
Foreign tax	639	170
Deferred tax recognised through OCI and reserves	(9)	391
Changes in tax laws and rates	468	(5,379)
Amounts underprovided/ (overprovided) in previous years	2,322	(42)
Total tax expense/ (income) reported in the profit and loss account	7,714	(3,748)

(d) Factors affecting future tax charges

During the prior year the UK Government announced an increase in the main rate of UK corporation tax from 19% to 25%, to take effect from 1 April 2023. The impact of this change was reflected in the financial statements in the prior year and has again been reflected here.

Notes to the Financial Statements
At 30 September 2022 (continued)

11 Taxation (continued)

(e) Deferred tax

Deferred tax is provided at 24.60% (2021: 24.14%) in the financial statements as follows:

	2022 £ 000	2021 £ 000
Other temporary differences	1,731	1,776
Capital allowances	6,148	7,140
Pension schemes	(1,031)	(1,950)
Tax losses carried forward	15,783	18,145
RDEC tax credit	3,680	-
Deferred tax asset	<u>26,311</u>	<u>25,111</u>

Movement in deferred tax balance during the year

	2 October 2021 £ 000	Transfer in £ 000	Recognised in profit and loss £ 000	Recognised in equity £ 000	Recognised in other comprehensive income £ 000	Transfer out £ 000	30 September 2022 £ 000
Other temporary differences	1,776	-	(126)	81	-	-	1,731
Capital allowances	7,140	-	(992)	-	-	-	6,148
Pension schemes	(1,950)	-	-	-	919	-	(1,031)
Tax losses carried forward	18,145	-	(2,362)	-	-	-	15,783
RDEC tax credit	-	4,076	(90)	-	-	(306)	3,680
	<u>25,111</u>	<u>4,076</u>	<u>(3,570)</u>	<u>81</u>	<u>919</u>	<u>(306)</u>	<u>26,311</u>

During the year £4,076,000 has been transferred from other debtors to deferred tax, in relation to corporation tax relief on research and development tax credits. These are classified as deferred tax to reflect the expected future use of the credits.

Of the amount above recognised in profit and loss of £3,570,000, £4,562,000 has been recognised in tax expense on profit on ordinary activities, and a credit of £991,000 has been recognised in administrative expenses and cost of sales.

Notes to the Financial Statements
At 30 September 2022 (continued)

11 Taxation (continued)

(e) Deferred tax (continued)

Movement in deferred tax balance during the prior year

	3 October 2020 £ 000	Recognised in profit and loss £ 000	Recognised in equity £ 000	Recognised in other comprehensive income £ 000	1 October 2021 £ 000
Other temporary differences	626	120	1,030	-	1,776
Capital allowances	6,329	811	-	-	7,140
Pension schemes	2,755	(1)	-	(4,704)	(1,950)
Tax losses carried forward	15,157	2,988	-	-	18,145
	<u>24,867</u>	<u>3,918</u>	<u>1,030</u>	<u>(4,704)</u>	<u>25,111</u>

Deferred tax assets not recognised amount to £47,000 (2021: £47,000). These assets do not have an expiry date.

Notes to the Financial Statements
At 30 September 2022 (continued)

12 Intangible fixed assets

	Software, licenses and patents £ 000	Other £ 000	Goodwill £ 000	Total £ 000
<i>Cost:</i>				
At 2 October 2021	505	11,941	51,244	63,690
Additions	72	-	-	72
Disposals	(101)	-	-	(101)
At 30 September 2022	476	11,941	51,244	63,661
<i>Amortisation and impairment:</i>				
At 2 October 2021	(252)	(8,764)	-	(9,016)
Charged during the year	(125)	(794)	-	(919)
On disposals	92	-	-	92
At 30 September 2022	285	9,558	-	9,843
<i>Net book value:</i>				
At 30 September 2022	191	2,383	51,244	53,818
At 1 October 2021	253	3,177	51,244	54,674

No intangible assets were pledged as security.

Other intangible assets include costs of £7,941,000 in respect of customer relationships acquired from AECOM Professional Services LLP and AECOM Design Build Limited in prior years, and £4,000,000 in respect of a collaboration agreement entered into with a leading construction company.

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:

	2022 £ 000	2021 £ 000
Building and Places	47,072	47,072
Civil Infrastructure	3,806	3,806
Environment and Ground Engineering	366	366
	51,244	51,244

Notes to the Financial Statements
At 30 September 2022 (continued)

12 Intangible fixed assets (continued)

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

Effective 1 October 2022 the Company undertook an internal reorganisation, in order to better align the UK internal reporting structure with that of the wider AECOM group, whereby the Civil Infrastructure business was re-named as Transportation, and the Environment and Ground Engineering business was re-named as Environment, Water and Energy. The reorganisation resulted in movements in headcount between the two operating segments, although these were not significant and did not result in a change in the goodwill distribution between cash generating units.

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.

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 2.1% (2021: 2.0%).

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 DCS business in the UK, being the market segment in which the Company operates. The post-tax discount rate applied to cash flows is 12.6% (2021: 10.0%). Had a pre-tax rate been applied, the rate would have been 13.4% (2021: 11.3%).

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.

Sensitivity of valuation to changes in key assumptions

The value in use calculation is most sensitive to the following key assumptions:

- Revenue growth rates, including those used to extrapolate cash flows beyond the forecast period, and
- Discount rates.

There is significant headroom between the value in use calculation and the carrying value of goodwill such that a significant change in revenue growth rates and/ or discount rates would be required before any impairment would be necessary.

Notes to the Financial Statements
At 30 September 2022 (continued)

13 Property, plant and equipment

	Fixtures, fittings, tools and equipment £ 000	Computer equipment £ 000	Leasehold improvements £ 000	Total £ 000
<i>Cost:</i>				
At 2 October 2021	5,675	6,871	19,542	32,088
Additions	901	1,488	3,102	5,491
Disposals	(854)	(238)	(5,626)	(6,718)
At 30 September 2022	<u>5,722</u>	<u>8,121</u>	<u>17,018</u>	<u>30,861</u>
<i>Depreciation:</i>				
At 2 October 2021	(3,583)	(2,768)	(11,532)	(17,883)
Charged during the year	(635)	(2,017)	(1,599)	(4,251)
Eliminated on disposal	817	206	5,553	6,576
At 30 September 2022	<u>(3,401)</u>	<u>(4,579)</u>	<u>(7,578)</u>	<u>(15,558)</u>
<i>Net book value:</i>				
At 30 September 2022	<u>2,321</u>	<u>3,542</u>	<u>9,440</u>	<u>15,303</u>
At 2 October 2021	<u>2,092</u>	<u>4,103</u>	<u>8,010</u>	<u>14,205</u>

No tangible fixed assets have been pledged as security.

Notes to the Financial Statements
At 30 September 2022 (continued)

14 Right of use assets

	Computer equipment £ 000	Property £ 000	Motor vehicles £ 000	Total £ 000
<i>Cost:</i>				
At 2 October 2021	19,508	67,477	1,087	88,072
Additions	5,276	20,247	1,673	27,196
Disposals	(2,791)	(4,971)	(73)	(7,835)
At 30 September 2022	21,993	82,753	2,687	107,433
<i>Depreciation:</i>				
At 2 October 2021	(11,756)	(18,335)	(108)	(30,199)
Charged during the year	(4,444)	(9,046)	(543)	(14,033)
Eliminated on disposal	2,755	4,626	4	7,385
Impairment charge	-	(24)	-	(24)
At 30 September 2022	(13,445)	(22,779)	(647)	(36,871)
<i>Net book value:</i>				
At 30 September 2022	8,548	59,974	2,040	70,562
At 1 October 2021	7,752	49,142	979	57,873

An impairment of £24,000 was booked in the year in relation to one floor of one property which was vacated during 2020 and for which the Company has not been able to locate a tenant.

Notes to the Financial Statements
At 30 September 2022 (continued)

15 Investments

Summary of investments held by the Company at 30 September 2022:

	2022 £ 000	2021 £ 000
Investments in subsidiaries	2,136	2,136
Investments in associates	-	6
Investments in joint ventures	701	937
	<u>2,837</u>	<u>3,079</u>

All investments are in unlisted entities.

(a) Subsidiaries

	£ 000
<i>Cost:</i>	
At 1 October 2021	<u>3,836</u>
At 30 September 2022	3,836
<i>Provision for impairment:</i>	
At 1 October 2021	<u>1,700</u>
At 30 September 2022	1,700
<i>Net book value:</i>	
At 30 September 2022	<u>2,136</u>
At 1 October 2021	<u>2,136</u>

AECOM Limited

Notes to the Financial Statements At 30 September 2022 (continued)

15 Investments (continued)

(a) Subsidiaries (continued)

Details of the subsidiaries held as at 30 September 2022 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Maunsell Structural Plastics Limited	In liquidation	Aldgate Tower, 2 Leman Street, London, England, E1 8FA	100%	100%
AKT JV Limited	Dormant entity	Aldgate Tower, 2 Leman Street, London, England, E1 8FA	95%	95%
AECOM (Montenegro) doo	Dormant entity	BULEVAR DŽORDŽA VAŠINGTONA BR.51, Podgorica, Montenegro	100%	100%
Bullen Consultants Limited	Dormant entity	Aldgate Tower, 2 Leman Street, London, England, E1 8FA	100%	100%
Mulholland & Doherty Limited	In liquidation	9th Floor, The Clarence West Building, 2 Clarence Street West, Belfast, BT2 7GP	100%	100%
AECOM Pension Trustee Limited	Dormant entity	AECOM House, 63-77 Victoria Street, St Albans, Hertfordshire, England, AL1 3ER	100%	100%

The country of incorporation of the companies listed above is the same as that disclosed in the registered office column in the table above.

AECOM (Montenegro) doo is expected to be placed into liquidation in 2023. This will not have a significant impact on the Company.

The Directors believe that the carrying values of investments at 30 September 2022 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.

Notes to the Financial Statements
At 30 September 2022 (continued)

15 Investments (continued)

(a) Subsidiaries (continued)

The carrying value of certain investments have been written down to either the net asset value or the value in use of the underlying businesses where the Directors believe appropriate, based on their knowledge of the global group's future plans.

Movements in the year

On 31 March 2022 Maunsell Structural Plastics Limited was put into liquidation. At the point the entity is formally dissolved it will be disposed of.

During the prior year on 4 February 2021 Mulholland & Doherty Limited was put into liquidation. At the point the entity is formally dissolved it will be disposed of.

(b) Associates

	£ 000
<i>Cost:</i>	
At 1 October 2021	6
At 30 September 2022	6
<i>Provision for impairment:</i>	
Charge in year	6
<i>Net book value:</i>	
At 30 September 2022	-
At 1 October 2021	6

Notes to the Financial Statements
At 30 September 2022 (continued)

15 Investments (continued)

(b) Associates (continued)

Details of the associates held as at 30 September 2022 are as follows:

Name of Company	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Grontmij Maunsell Holdings BV (Reg: 30164459)	Parent undertaking	De Holle Bilt 22, De Bilt, 3732HM, Netherlands	49%	49%
Grontmij Maunsell Infrastructure Consultancy Services BV (Reg: 30164468)	Consulting Engineers	De Holle Bilt 22, De Bilt, 3732HM, Netherlands	100%	100%

The country of incorporation of the companies listed above is the same as that disclosed in the registered office column in the table above.

AECOM Limited holds 49% of the voting rights and nominal value of issued ordinary shares in Grontmij Maunsell Holdings BV which in turn holds 100% of the shares and voting rights in Grontmij Maunsell Infrastructure Consultancy Services BV.

The majority (51%) shareholder of Grontmij Maunsell Holdings BV passed a resolution at a meeting on 29 September 2022 to dissolve both Grontmij Maunsell Holdings BV and Grontmij Maunsell Infrastructure Consultancy Services BV in accordance with the applicable provisions of the Dutch Civil Code. Neither Grontmij Maunsell Holdings BV nor Grontmij Maunsell Infrastructure Consultancy Services have traded for a number of years. As a result, the value of the Company's investment has been impaired in full as at the balance sheet date. At the point when the entities are formally dissolved, they will be disposed of.

Notes to the Financial Statements
At 30 September 2022 (continued)

15 Investments (continued)

(c) Joint ventures

£ 000

Joint venture undertaking at cost:

At 1 October 2021	937
Share of profit of joint ventures	1,314
Cash distributions received from joint ventures during the year	(1,550)
At 30 September 2022	<u>701</u>

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

Details of the joint ventures held as at 30 September 2022 are as follows:

Name of Joint ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2022	2021
Transcend Partners Limited	Consulting Engineers	Elms House, 43 Brook Green, London, England, W6 7EF	40%	40%
Conway AECOM Limited	Consulting Engineers	Conway House, Vestry Road, Sevenoaks, Kent, England, TN14 5E	50%	50%
Perfect Circle JV Limited	Consulting Engineers	Halford House, Charles Street, Leicester, England, LE1 1HA	33%	33%
Ionia Odos	Joint Venture	OMEK Consulting Engineers SA, 238, Kifissias Avenue, Chalandri	50%	0%

AECOM Limited

Notes to the Financial Statements At 30 September 2022 (continued)

15 Investments (continued)

(c) Joint ventures (continued)

On 27 September 2022 the Company acquired a 50% interest in the Ionia Odos joint venture from a fellow AECOM group undertaking, AECOM Infrastructure & Environment UK Limited, for nil consideration.

The country of incorporation of the companies listed above is the same as that disclosed in the registered office column in the table above.

Transcend Partners Limited has a statutory year end date of 31 December, Conway AECOM Limited has a statutory year end date of 31 March and Perfect Circle JV Limited has a statutory year end date of 30 September.

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

The following table illustrates the summarised financial information of joint ventures, based on their FRS 102 compliant internal management accounts at the reporting date, and also provides a reconciliation with the carrying amount of the investments in the financial statements, as set out below:

	30 September 2022 £ 000	1 October 2021 £ 000
Transcend Partners Limited summarised balance sheet		
Current assets (including cash of 2022: £498, 2021: £1,155)	1,094	2,370
Current liabilities	(905)	(1,327)
Net assets	189	1,043
Share in equity	40%	40%
Company's carrying amount of the investment	75	417
	2022 £ 000	2021 £ 000
Transcend Partners Limited summarised profit and loss account		
Revenue	7,605	12,007
Cost of Sales	(6,605)	(10,310)
Administrative expenses	(820)	(1,425)
Profit before tax	180	272
Income tax expense	(34)	(52)
Profit after tax	146	220

AECOM Limited

Notes to the Financial Statements At 30 September 2022 (continued)

15 Investments (continued)

(c) Joint ventures (continued)

	2022 £ 000	2021 £ 000
Share in equity	40%	40%
Company's share of profit for the year	58	88

	30 September 2022 £ 000	1 October 2021 £ 000
Conway AECOM Limited summarised balance sheet		
Current assets (including cash of 2022: £1,822, 2021: £6,432)	2,712	17,359
Current liabilities	(1,607)	(16,345)
Net assets	1,105	1,014
Share in equity	50%	50%
Company's carrying amount of the investment	553	507

	2022 £ 000	2021 £ 000
Conway AECOM Limited summarised profit and loss account		
Revenue	6,340	35,333
Cost of sales	(6,182)	(33,032)
Administrative expenses (including depreciation of 2022: £nil, 2021: £272)	(94)	(2,313)
Profit before tax/(Loss before tax)	64	(12)
Income tax credit	28	-
Profit after tax/(Loss after tax)	92	(12)
Share in equity	50%	50%
Company's share of profit/(loss) for the year	46	(6)

Notes to the Financial Statements
At 30 September 2022 (continued)

15 Investments (continued)

(c) Joint ventures (continued)

	30 September 2022 £ 000	1 October 2021 £ 000
Perfect Circle JV Limited summarised balance sheet		
Current assets (including cash of 2022: £582, 2021: £2,018)	15,194	14,427
Current liabilities	<u>(14,975)</u>	<u>(14,388)</u>
Net assets	<u>219</u>	<u>39</u>
Share in equity	33%	33%
Company's carrying amount of the investment	<u>73</u>	<u>13</u>
	2022 £ 000	2021 £ 000
Perfect Circle JV Limited summarised profit and loss account		
Revenue	115,932	161,117
Cost of sales	(109,806)	(154,332)
Administrative expenses	<u>(1,603)</u>	<u>(1,638)</u>
Profit before tax	4,523	5,147
Income tax expense	<u>(856)</u>	<u>(1,022)</u>
Profit after tax	<u>3,667</u>	<u>4,125</u>
Share in equity	33%	33%
Company's share of profit for the year	<u>1,210</u>	<u>1,375</u>

The summarised financial information of the Ionia Odos joint venture as at 30 September 2022 has not been presented above as it is not material to the Company.

(d) Joint operations

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

AECOM Limited

Notes to the Financial Statements At 30 September 2022 (continued)

15 Investments (continued)

(d) Joint operations (continued)

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

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

16 Debtors

	30 September 2022 £ 000	1 October 2021 £ 000
Trade debtors	55,538	48,075
Amounts owed by group undertakings	223,112	161,228
Contract assets	102,306	65,558
Other debtors	9,835	11,018
Prepayments and accrued income	7,775	6,867
Deferred tax (see note 11)	26,311	25,111
	<u>424,877</u>	<u>317,857</u>

Trade debtors are stated after provisions for impairment of £2,192,000 (2021: £1,164,000). Trade debtors represent amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally non-interest bearing and are generally due for settlement within 14 to 28 days.

There are no provisions for impairment on amounts owed by group undertakings (2021: £nil).

Contract assets are stated after provisions for impairment of £4,658,000 (2021: £3,043,000).

Notes to the Financial Statements
At 30 September 2022 (continued)

16 Debtors (continued)

All debtors are due within one year with the exception of deferred tax of £20,865,000 (2021: £23,364,000) and other debtors of £5,655,000 (2021: £8,404,000) which include amounts receivable in respect of corporation tax related research and development expenditure credits 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 benchmark rate 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 26.

17 Creditors: amounts falling due within one year

	30 September 2022 £ 000	1 October 2021 £ 000
Trade creditors	21,884	15,974
Lease liabilities (see note 19)	11,803	11,661
Contract liabilities	48,487	36,493
Amounts owed to group undertakings	132,588	85,209
Other creditors	636	840
Other taxes and social security costs	20,665	18,610
Accruals and deferred income	24,800	21,787
	<u>260,863</u>	<u>190,574</u>

There are no financial liabilities held at fair value through profit and loss account (2021: 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 by group undertakings are unsecured, have no fixed date of repayment, bear interest based on benchmark rate 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 26.

Notes to the Financial Statements
At 30 September 2022 (continued)

18 Creditors: amounts falling due after more than one year

	30 September 2022 £ 000	1 October 2021 £ 000
Lease liabilities (see note 19)	67,661	54,859
Other creditors	881	1,406
	<u>68,542</u>	<u>56,265</u>

19 Leases

Leases included in creditors

	Computer equipment £ 000	Property £ 000	Motor Vehicles £ 000	Total £ 000
At 2 October 2021	8,004	57,537	979	66,520
Additions	5,288	21,005	1,673	27,966
Disposals	(36)	(345)	(69)	(450)
Interest	371	2,527	43	2,941
Payments	(5,494)	(11,433)	(587)	(17,514)
At 30 September 2022	<u>8,133</u>	<u>69,291</u>	<u>2,039</u>	<u>79,463</u>
<i>Of which:</i>				
Amounts falling due within one year at 30 September 2022	<u>3,137</u>	<u>7,944</u>	<u>721</u>	<u>11,802</u>
Amounts falling due after more than one year at 30 September 2022	<u>4,996</u>	<u>61,347</u>	<u>1,318</u>	<u>67,661</u>

The Company expects to make lease payments of £38,279,000 (2021: £24,347,000) which fall due more than five years from the balance sheet date.

The typical lease term for computer equipment is 4 years, property is 3 to 10 years and for motor vehicles is 3 to 4 years.

Notes to the Financial Statements
At 30 September 2022 (continued)

19 Leases (continued)

Lease profit and loss disclosure

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

	30 September	1 October
	2022	2021
	£ 000	£ 000
Depreciation charged in the year on right of use assets	14,033	14,498
Interest expense on lease liabilities	2,941	3,206
Expenses relating to short term leases (included in administrative expenses)	289	91
Expenses relating to leases of low-value assets (included in administrative expenses)	45	40
Variable lease payments (included in administrative expenses)	3,151	2,683
Total amount recognised in total comprehensive income	<u>20,459</u>	<u>20,518</u>

The Company had total cash outflow for leases of £17,848,000 (2021: £18,232,000).

The low-value assets comprise properties such as storage facilities, 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.

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.

Notes to the Financial Statements
At 30 September 2022 (continued)

20 Provisions for liabilities

	Claims £ 000	Property costs £ 000	Other provisions £ 000	Total £ 000
1 October 2021:				
Amounts falling due within one year	15,041	2,327	575	17,943
Amounts falling due after more than one year	957	3,551	-	4,508
	<u>15,998</u>	<u>5,878</u>	<u>575</u>	<u>22,451</u>
Arising during the year	12,947	715	300	13,962
Utilised in the year	(4,406)	(398)	-	(4,804)
Reversal of unused amounts	(227)	(1,300)	(569)	(2,096)
At 30 September 2022:				
Amounts falling due within one year	<u>23,310</u>	<u>1,330</u>	<u>306</u>	<u>24,946</u>
Amounts falling due after more than one year	<u>1,002</u>	<u>3,565</u>	<u>-</u>	<u>4,567</u>
Total	<u>24,312</u>	<u>4,895</u>	<u>306</u>	<u>29,513</u>

Claims

This amount represents a provision for claims brought against the Company (or potential claims notified to the Company) by customers or other parties. The exact 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 30 September 2022 (continued)

21 Share capital

	2022		2021	
	No.	£ 000	No.	£ 000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>17,525,173</u>	<u>17,525</u>	<u>17,525,173</u>	<u>17,525</u>

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.

22 Pensions

Defined benefit schemes

The Company operates one defined benefit pension scheme, the AECOM Group Pension Scheme ('the Scheme'), which is a sectionalised scheme.

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

The assets of the Scheme are held separately from the Company and are managed by a corporate Trustee ('the Trustee') respectively.

Notes to the Financial Statements
At 30 September 2022 (continued)

22 Pensions (continued)

Mercer LLP provide actuarial and consultancy advice for the Scheme. The Scheme's Actuary, together with the Trustees, undertake triennial valuations of the Scheme's funded status, with interim assessments performed in the intervening years. The Scheme's Actuary and 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.

A full actuarial valuation, undertaken by the Scheme Actuary, was last carried out at 30 September 2019 for all Sections of the Scheme. The next valuation is at 30 September 2022 and the results will be available in late 2023.

The financial position of the Scheme is set out below. Following the 2019 actuarial valuation, a new plan of additional contributions to address the Scheme's deficits was agreed. As part of this plan, the Company provided surety bonds to the Scheme, increasing member security.

The Company's total contributions for the Scheme during the period to 30 September 2023 (to include expenses) will be £540,000. Contributions will remain at this level until 1 September 2027, at which point contributions increase to £679,000 per month, increasing gradually thereafter until the end of deficit recovery plan is reached in 2031.

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

	2022
	£ 000
AECOM Group Pension Scheme – BM Section	96
AECOM Group Pension Scheme - CDO Section	445
	<hr/>
	541
	<hr/>

Section mergers and terminations

On 29 September 2021 the AECOM Group Pension Scheme - Bullen Section and the AECOM Group Pension Scheme - Maunsell Section merged, creating the AECOM Group Pension Scheme - BM Section. The merger was achieved by renaming the Bullen Section as the 'AECOM Group Pension Scheme - BM Section' ("the BM Section") and the segregation in place between the BM Section and the Maunsell Section was then removed.

Also on 29 September 2021, the AECOM Group Pension scheme - Oscar Faber Section, the AECOM Group Pension Scheme - Citrus Section and the AECOM Group Pension Scheme - Davis Langdon Section merged, creating the AECOM Group Pension Scheme - CDO Section. The merger was achieved by renaming the Oscar Faber Section as the 'AECOM Group Pension Scheme - CDO Section' ("the CDO Section") and the segregation in place between the CDO Section and the Citrus and Davis Langdon Sections was then removed.

Notes to the Financial Statements
At 30 September 2022 (continued)

22 Pensions (continued)

As a result of the mergers, on 30 September 2021, the Citrus, Davis Langdon and Maunsell Sections were terminated.

There were no accounting implications of these two mergers and terminations. The assets, liabilities and deficits/surpluses of the legacy sections were combined with those of the remaining section, in both circumstances. Members' benefit entitlements remain the same post-merger.

AECOM Group Pension Scheme – BM Section

Pension contributions for the AECOM Group Pension Scheme – BM Section (formerly the Bullen and Maunsell sections) are agreed between the Company and the Trustees on advice from the independent Scheme Actuary.

AECOM Group Pension Scheme - CDO Section

Pension contributions for the AECOM Group Pension Scheme – CDO Section (formerly the Citrus, Davis Langdon and Oscar Faber sections) are agreed between the Company and the Trustees on advice from the independent Scheme Actuary.

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

Asset information - all defined benefit schemes

	Plans in net deficit £ 000	2022 Plans in net surplus £ 000	Total £ 000	Plans in net deficit £ 000	2021 Plans in net surplus £ 000	Total £ 000
<i>Scheme assets at fair value</i>						
Equities	39,050	14,249	53,299	115,519	30,336	145,855
Bonds and debt securities	139,017	108,802	247,819	170,147	151,234	321,381
Property (pooled fund)	10,166	-	10,166	3,109	-	3,109
Cash and cash equivalents	32,261	9,059	41,320	14,350	4,803	19,153
Other investment funds	(17,129)	(211)	(17,340)	22,821	3,639	26,460
Fair value of scheme assets	203,365	131,899	335,264	325,946	190,012	515,958
Present value of scheme liabilities	(229,242)	(101,831)	(331,073)	(352,130)	(155,750)	(507,880)
Defined benefit pension (deficit)/ surplus	(25,877)	30,068	4,191	(26,184)	34,262	8,078

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

Notes to the Financial Statements

At 30 September 2022 (continued)

22 Pensions (continued)

The amounts recognised in the profit and loss account and in the statement of comprehensive income in respect of defined benefit schemes for the year are analysed as follows:

	Plans in net deficit £ 000	2022 Plans in net surplus £ 000	Total £ 000	Plans in net deficit £ 000	2021 Plans in net surplus £ 000	Total £ 000
<i>Recognised in the profit and loss account</i>						
Past service cost	-	-	-	190	12	202
Net interest on defined benefit liabilities	458	(600)	(142)	592	(450)	142
Administrative expenses paid	288	202	490	447	47	494
	<u>746</u>	<u>(398)</u>	<u>348</u>	<u>1,229</u>	<u>(391)</u>	<u>838</u>

	Plans in net deficit £ 000	2022 Plans in net surplus £ 000	Total £ 000	Plans in net deficit £ 000	2021 Plans in net surplus £ 000	Total £ 000
<i>Taken to the statement of comprehensive income</i>						
Return on plan assets (excluding amounts included in interest income/ (expense))	117,241	54,691	171,932	(20,108)	2,422	(17,686)
Actuarial losses arising from experience adjustments	9,026	1,929	10,955	-	-	-
Actuarial (gains) and losses arising from changes in financial assumptions	(126,642)	(51,830)	(178,472)	1,286	(3,752)	(2,466)
Actuarial (gains) and losses arising from changes in demographic assumptions	(233)	(102)	(335)	(729)	(344)	(1,073)
Actuarial (gain)/ loss on defined benefit pension schemes	<u>(608)</u>	<u>4,688</u>	<u>4,080</u>	<u>(19,551)</u>	<u>(1,674)</u>	<u>(21,225)</u>

Notes to the Financial Statements
At 30 September 2022 (continued)

22 Pensions (continued)

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

	<i>Plans in net deficit £ 000</i>	<i>Plans in net surplus £ 000</i>
Defined benefit obligation at 3 October 2020	360,124	164,863
Past service cost	190	12
Net interest on benefit obligation	5,101	2,280
Benefits paid	(13,842)	(7,309)
Actuarial gains and losses	557	(4,096)
Defined benefit obligation at 1 October 2021	352,130	155,750
Net interest on benefit obligation	6,186	2,682
Benefits paid	(11,225)	(6,598)
Actuarial gains and losses	(117,849)	(50,003)
Defined benefit obligation at 30 September 2022	<u>229,242</u>	<u>101,831</u>

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

	<i>Plans in net deficit £ 000</i>	<i>Plans in net surplus £ 000</i>
Fair value of plan assets at 3 October 2020	313,641	196,849
Interest income on plan assets	4,509	2,730
Contribution by employer	1,977	211
Administrative expenses	(447)	(47)
Benefits paid	(13,842)	(7,309)
Actuarial gains and losses	20,108	(2,422)
Fair value of plan assets at 1 October 2021	325,946	190,012
Interest income on plan assets	5,728	3,282
Contribution by employer	445	96
Administrative expenses	(288)	(202)
Benefits paid	(11,225)	(6,598)
Actuarial gains and losses	(117,241)	(54,691)
Fair value of plan assets at 30 September 2022	<u>203,365</u>	<u>131,899</u>

Notes to the Financial Statements
At 30 September 2022 (continued)

22 Pensions (continued)

Pension contributions for all Scheme sections 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.

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

AECOM Group Pension Scheme – BM Section

<i>Main assumptions</i>	2022	2021
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	3.59%	3.39%
Rate of increase in pensions	3.05%	2.80%
Discount rate	5.34%	1.99%
Rate of price increases (RPI)	3.59%	3.39%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.80%	2.35%
Discount rate	1.99%	1.63%
Rate of price increases (RPI)	3.39%	2.91%
Current pensioners at 65 today	22.7 years	22.7 years
Future pensioners at 65, aged 40 today	24.0 years	24.0 years

AECOM Group Pension Scheme - CDO Section

<i>Main assumptions</i>	2022	2021
Weighted average assumptions to determine benefit obligations:		
Rate of salary increase	N/A	N/A
Rate of increase in pensions	3.30%	3.20%
Discount rate	5.30%	2.00%
Rate of price increases (RPI)	3.57%	3.38%
Weighted average assumptions to determine benefit cost:		
Rate of salary increase	N/A	N/A
Rate of increase in pensions	3.20%	2.75%
Discount rate	2.00%	1.70%
Rate of price increases (RPI)	3.38%	2.85%

Notes to the Financial Statements
At 30 September 2022 (continued)

22 Pensions (continued)

Current pensioners at 65 today	22.7 years	22.7 years
Future pensioners at 65, aged 40 today	24.0 years	24.0 years

Sensitivity analysis – all schemes / plans:

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

	2022
	£ 000
Discount rate -25 basis points	(9,985)
Discount rate +25 basis points	9,507
Price inflation -25 basis points	5,136
Price inflation +25 basis points	(4,944)

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

Discount rate -25 basis points	11.3 - 12.1 years
Discount rate +25 basis points	11.1 - 11.9 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.

Some of the Scheme sections 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.

23 Share-based payments

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

Notes to the Financial Statements
At 30 September 2022 (continued)

23 Share-based payments (continued)

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 can be based upon the achievement of free cash flow or 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 fair value of the PEP awards also includes a portion which is valued using a Monte Carlo model. The weighted average fair value at grant date for PEPs and RSUs awarded during the year was £55.26 (2021: £35.92). All awards are settled with the employee 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 option is calculated using a Black Scholes model, and the discount is the difference between the option price and the market value of the shares. The discount is expensed on a straight line basis from the grant date. The fair value at grant date was a range from £22.85 to £47.14.

The following table illustrates the number and weighted average exercise price of awards exercised during the year and outstanding at year end.

	2022		2021	
	Stock Incentive Plan	Sharesave	Stock Incentive Plan	Sharesave
Exercised during the year	23,214	64,804	49,590	68,802
Weighted average price of awards exercised during the year	£nil	£22.85	£nil	£21.61
Outstanding at 30 September 2022 and 1 October 2021	16,892	307,964	134,186	337,056
Exercise price of awards outstanding at 30 September 2022 and 1 October 2021	£nil	£22.85 - £47.14	£nil	£21.61 - £42.04
Weighted average remaining contractual life of awards outstanding at 30 September 2022 and 1 October 2021	1.0yrs	1.5yrs	1.3yrs	1.7yrs

Notes to the Financial Statements
At 30 September 2022 (continued)

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

	30 September 2022 £ 000	1 October 2021 £ 000
Profit before tax	24,141	20,638
Net interest expense and other finance costs	5,363	4,500
Depreciation of property, plant and equipment	4,251	4,747
Depreciation of right of use assets	14,033	14,498
Amortisation of intangible assets	919	2,871
Impairment charge/ (reversal) right of use assets	24	(334)
(Increase)/ decrease in debtors (including contract assets)	(94,492)	26,293
Increase/ (decrease) in creditors (including contract liabilities)	63,799	(50,694)
Increase in provisions	7,062	2,384
(Profit)/ loss on disposal of property, plant and equipment and intangible assets	(24)	14
Difference between pension charge and cash contributions	(51)	(1,693)
Investment impairment	6	-
Share of Joint Ventures profits	(1,314)	(1,457)
Non-cash and other movements	(144)	(1,176)
Net cash inflow from operating activities before tax	<u>23,573</u>	<u>20,591</u>

Notes to the Financial Statements At 30 September 2022 (continued)

25 Contingent liabilities and capital commitments

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

As at 30 September 2022 the Company has issued bank guarantees of €1,017,000 (2021: nil).

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 at a preliminary stage and 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 20).

Capital Commitments

Other than finance leases as disclosed in note 19 and pension deficit obligations as disclosed in note 22 the Company does not have any capital commitments as at 30 September 2022.

26 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:

AECOM Limited

Notes to the Financial Statements At 30 September 2022 (continued)

26 Related party transactions (continued)

	Sales to related party £ 000	Purchases from related party £ 000	Amounts owed by related party £ 000	Amounts owed to related party £ 000
<i>Joint Venture:</i>				
Conway AECOM Limited				
At 30 September 2022	243	-	314	-
At 1 October 2021	3,722	-	426	-
Transcend Partners Limited				
At 30 September 2022	649	-	10	-
At 1 October 2021	1,211	-	49	-
Perfect Circle JV Limited				
At 30 September 2022	34,433	2,138	3,368	163
At 1 October 2021	78,689	-	3,237	-

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.

27 Ultimate parent undertaking and controlling party

The Company's immediate parent is AECOM Design & 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 13355 Noel Road, Suite 400, Dallas, Texas, 75240, United States of America.