Registration number: 07840752

AECOM Design & Consulting Services UK Limited

Report and Consolidated Financial Statements

1 October 2021

Company Information

Directors	AR Barker PS Ribeiro-Carvalho-Vieira MA Southwell RS Whitehead CD Wood
Secretary	B Taiwo
Auditor	Ernst & Young LLP 1 More London Place London UK SE1 2AF
Registered office	Aldgate Tower 2 Leman Street London UK E1 8FA

Strategic Report for the Year Ended 1 October 2021

The Directors present their Strategic Report for the year ended 1 October 2021.

The prior period of 12 months commenced on 28 September 2019 and ceased on 2 October 2020. The current period of 12 months commenced on 3 October 2020 and ceased on 1 October 2021.

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

Further details regarding the composition of the Group can be found in note 3.5 to these consolidated financial statements.

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

	2021 *£ 000*	*2020* *£ 000*	*Change*
Revenue / Gross service revenue	692,795	738,932	(6)%
Net service revenue	507,015	529,875	(4)%
EBITA	40,159	11,674	244%
Revenue per technical staff member	110	108	2%
	No.	**No.**	
Average number of employees	6,928	7,533	(8)%
Days sales outstanding	45	50	(10)%

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

The KPIs for the Group shown above are in line with management's expectations and are consistent with the performance of the underlying trading entities for the year. The Group's revenue reduced in 2021 as the Group focused on consolidating its position whilst maximising bottom line profitability. EBITA increased significantly year on year as a result of the Group having incurred one off expenditure in the prior period in relation to restructuring the underlying trading entities, exiting non- core businesses and in streamlining the Group to better place itself for future opportunities that may arise.

Within total comprehensive income for the year are actuarial gains of £35,217,000 (2020: losses of £25,717,000). The actuarial gains for the year have arisen due to changes in the underlying financial and demographic assumptions used to calculate the defined benefit pension obligations of the Group at the year end. The key movement in the financial assumptions affecting the year-end result is the increase in discount rates to a range of 1.97%-2.00%. This increase is due to macro-economic conditions which have increased the discount rates from previously lower levels. Actuarial losses on defined benefit pension schemes of £36,542,000 in the prior year have been restated to £25,717,000. Please see note 3.2 for details.

Strategic Report for the Year Ended 1 October 2021 (continued)

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

- **Liquidity risk**
  Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation from its operations and applying cash collection targets. The Group also manages liquidity risk via credit facilities made available from a fellow Group undertaking, AECOM Global Ireland Services Limited, as part of a group-wide treasury function.

- **Credit risk**
  Credit risk arises from the potential failure of counter-parties to the Group honouring their financial obligations. The Group's policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures.

- **Competitive and market risk**
  The Group operates in a highly competitive industry which can impact upon its ability to win new work and also dilute its margins. The Group mitigates these risks by effective cost management thereby allowing it to remain competitive and to deliver the required results. Management also monitors bid tendering processes to ensure forecast bid margins remain satisfactory.

- **Performance/delivery risk**
  Performance risk arises with the nature of the environment in which the Group operates. Failure to deliver to time and agreed scope can lead to the Group sustaining losses through cost overruns and client claims. Management monitors performance on significant contracts rigorously and takes appropriate action when considered necessary to address performance and delivery issues.

- **Defined benefit pension exposure risk**
  The Group operates a number of funded defined benefit pension schemes. The financial liabilities associated with the Group's legacy pension obligations are largely related to the assets held in the pension funds, net of the change in the value of the funds' liabilities. The risks and uncertainties associated with the latter are typically related to changes in the long-term outlook for interest rates, inflation and life expectancy. Changes in these financial metrics are not within the control of the Group. The size of the obligations could also be adversely influenced by regulatory or legislative changes. The Group constructively engages with the Trustees of the pension schemes to ensure that the assets and liabilities of the schemes are managed in a way which seeks to reduce the likelihood of unexpected cost to the Group.

- **Climate change risk**
  Climate change risk is the risk of disruption to the business due to increased severity and frequency of extreme weather events, such as rising temperatures or flooding. Climate change risk is a strategic consideration for AECOM globally, and managing this risk is a key aspect of AECOM's Sustainable Legacies environment, social and governance strategy. For example, it is mandatory for all UK offices to have resilience plans in place. The plans are subject to regular reviews to ensure any new and shifting climate risks are addressed. For project sites, any impacts from climate risks should be addressed in project Safety, Health & Environment plans. All employees are encouraged to report significant weather events which affect our offices or sites via internal online safety, health and environmental reporting tools.

Strategic Report for the Year Ended 1 October 2021 (continued)

Principal risks and uncertainties (continued)

- **Other risks**
  Whilst COVID-19 has introduced increased risk to all areas of the Group and the Company in both 2020 and 2021, the actions taken by the Group in response to the pandemic as detailed on page 6 of these financial statements demonstrate how the Company has managed the impact of COVID-19 to date. The Group will continue to monitor the impact of COVID-19 on project delivery and financial performance as we head into 2022/23.

  BREXIT did not have a material financial impact on the Group and the Company in 2021 and therefore the Group and the Company do not consider BREXIT to be a significant risk and uncertainty facing the Group and the Company going forward.

  The Group and the Company are monitoring the ongoing conflict between Russia and Ukraine and any potential impact that it might have on the results of the Group and the Company. There is not expected to be a material financial impact on the Group or the Company in 2022/23 and therefore the Group and the Company do not consider this to be a significant risk and uncertainty facing the Group and the Company going forward.

Section 172 statement

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

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

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

Investors

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

Through both structured and ad hoc regular and open dialogue with AECOM, we have ensured that our UK strategy is aligned with that of the wider AECOM Group. The FY21-22 plan and strategy form the basis for financial budgets, resource plans and investment decisions, and also the future strategic direction of the Company and Group.

Strategic Report for the Year Ended 1 October 2021 (continued)

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, 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 Group.

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

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

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

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

The Board maintains key client relationships through regular engagement including focus groups, client listening 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.

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

Strategic Report for the Year Ended 1 October 2021 (continued)

Section 172 statement (continued)

Government (continued)

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 (which included the new tri-service facility at the Defence College of Logistics, Policing and Administration, Worthy Down) and our work to support COP26 through projects including the Business, Energy & Industrial Strategy led 'Visions for a Net Zero Future'.

Community and the environment

The communities and the environment are directly impacted by our business. Through our role as a global multidisciplinary consultancy we help clients maximise the social, economic and environmental 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 of our regional Social Value Champions across the UK. Reviewed on an annual basis, we use independent tools to ensure that local needs are understood and actioned via our local offices. This allows us to review processes and progress to continuously improve our standards, efficiency and effectiveness, and introduce communication campaigns to inform our employees and other stakeholders of our social value policy.

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

Pension trustees

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

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

In line with guidance issued by the pension regulator for employers, our primary means of engagement during the year have been our internal pensions managers working closely with the Trustees to deal with all matters related to the pension schemes, as well as meeting with the Trustees on a regular basis at periodic Trustee meetings held throughout the year. An example of the output of our engagement and dialogue with the Trustees during the year would be the reduction in scheme sections from five to two during 2021; an exercise performed to reduce complexity and to manage costs within the scheme, without impacting member benefit entitlements.

Principal decisions

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

Response to COVID-19

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

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

Strategic Report for the Year Ended 1 October 2021 (continued)

Section 172 statement (continued)

Response to COVID-19 (continued)

The Board considered the impact on clients, the workforce and the supply chain and adjusted capacity to meet the economic environment in the prior year. The UK business took advantage of the Government's job retention scheme up until September 2020, and also the Government's VAT deferral incentive scheme, in a bid to control costs, preserve jobs and to manage cash flow. All deferred VAT was repaid in full before 1 October 2021.

Several initiatives were also introduced during the prior year to better meet the demands of our markets and help us continue to provide the best services for our clients, including a voluntary temporary pay reduction, a redundancy programme, and the exit of real estate leases where an alternative strategy or footprint was considered optimal. Again, these activities were not replicated in 2021.

On behalf of the Board:

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AR Barker
Director
16 December 2022

Directors' Report for the Year ended 1 October 2021

Registered No: 07840752

The Directors present their report for the year ended 1 October 2021.

Results and dividends

The profit for the year after taxation for the Group amounted to £20,277,000 (2020: loss of £4,191,000). The Directors do not recommend the payment of a dividend (2020: £nil).

Principal activity

The Group collectively 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 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, energy, water and government.

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

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

Financial instruments

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

Future developments

In 2022, 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 remain committed to driving down costs and improving efficiency across the business.

The Directors will continue to monitor the impacts of the macroeconomic risks currently facing the Group and the Company due to COVID-19, 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 Group and the Company continue to operate as a going concern.

Directors' Report for the Year ended 1 October 2021 (continued)

Directors' of the Group

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

CR McCall (resigned 30 October 2020)

AR Barker

DJ Price (appointed 30 October 2020 and resigned 24 May 2021)

CN Edwards (appointed 24 May 2021 and resigned 19 August 2022)

AN Jones (appointed 24 May 2021 and resigned 3 October 2022)

PS Ribeiro-Carvalho-Vieira (appointed 24 May 2021)

MA Southwell (appointed 24 May 2021)

RS Whitehead (appointed 24 May 2021)

CD Wood (appointed 24 May 2021)

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

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

Going concern

The Group has net current assets of £290.0 million and net assets of £391.6 million. In supporting the going concern assessment of twelve months from the date of approval of the Group's financial statements and up to 16 December 2023, the Board has assessed whether the Group and the Company will be able to meet its liabilities as and when they fall due. The Board has obtained a written confirmation of financial support from its ultimate parent undertaking, that it will assist the Group and the Company in meeting their liabilities as and when they fall due, if required, for a period of 12 months from the date of approval of the Group and the Company's financial statements.

The Group's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to risks and uncertainties are described in the Strategic Report on page 2. The the Group and the Company have access to the considerable financial resources of the AECOM Group.

After making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these consolidated financial statements.

Disabled employees

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

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

Directors' Report for the Year ended 1 October 2021 (continued)

Employee involvement

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

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

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

Climate change and emissions reporting

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

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

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

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

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

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

The Group's energy use for the year ending 1 October 2021 is the total energy consumption across all AECOM UK sites, including Scope 1 fleet vehicles and Scope 2 office energy consumption on rented and owned sites, of 19,172,336 kWh (2020: 35,739,298 kWh).

When converted, this provides a total gross Scope 1 and Scope 2 emissions/ MtCO2e (metric tonnes of carbon dioxide equivalent) figure of 4,088 MtCO2e (2020: 8,296 MtCO2e). See further disclosures as presented below:

Emissions and energy consumption

Scope	Reporting Region	Unit of measurement	2021	2020
Scope 1	UK	MtCO2e	328	358
Scope 2	UK	MtCO2e	3,760	7,938
Scope 3	UK	MtCO2e	4,385	8,667

The total MtCO2e as disclosed above for scope 1 and 2 combined is 4,088 (2020: 8,296), which when divided by the Group's turnover, equates to an intensity ratio for the current year of 0.0000059 (2020: 0.0000112).

Directors' Report for the Year ended 1 October 2021 (continued)

Climate change and emissions reporting (continued)

The scope 1 emissions as disclosed above relate entirely to fleet transport from AECOM owned or long term leased vehicles. 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	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 for the Year ended 1 October 2021 (continued)

Climate change and emissions reporting (continued)

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 for the Year ended 1 October 2021 (continued)

Climate change and emissions reporting (continued)

Data improvements

During the year the AECOM Group launched a Data Improvement Working Group at the global level covering scope 1, 2 and 3 data. The aim of the Working Group is to improve data collation and analysis. As such, data accuracy has improved, including having our global scope 1, 2 and supply chain data externally verified during the year. The comparative data for 2020 has therefore been represented based on these data improvements, and therefore some values are different to those previously presented. We have also published our first 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 2021 AECOM launched our industry-leading Sustainable Legacies environmental, social and governance (ESG) strategy. Our strategy sets out how we will embed ESG principles into everything we do, in partnership with our clients, investors and employees, so we leave a lasting positive impact for communities and our planet. A key part of our Sustainable Legacies strategy is our commitment to halve emissions across our whole value chain by 2030. In the interim, AECOM is committed to achieving operational (Scope 1 and 2) carbon neutrality from 2021 onwards.

Working towards our emissions reductions targets, during the year we have right-sized our office space, improved office energy efficiency, including relocating to more energy efficient offices and switching to renewable energy where possible. We have rolled out 'Workplace of the Future' sustainability guidelines for future office refurbishments and re-locations. These guidelines cover advice on sourcing climate-resilient locations and prioritising office moves to those using renewable energy and that are easily accessible by foot or public transport. As an example, our Nottingham UK office has recently been refurbished to include maximum natural light, LEDs, movement and daylight sensors, energy sub metering and secure cycle parking.

Many AECOM offices have 'Green Teams', volunteer sustainability champions targeting emissions reductions from energy and transport, for example through 'switch off' campaigns and sustainable travel plans. AECOM's 'Workplace of the Future' and 'Freedom to Grow' initiatives help increase work flexibility, allowing further real estate consolidation and travel reduction. 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.

We have a global target to halve carbon on our major client projects by 2030 against a 2018 baseline, this programme to reduce carbon related to our design work is known as ScopeX™. We believe that ScopeX™ will be our biggest contribution to help end the climate emergency. By decarbonising the built environment and supporting our clients achieve their net-zero agendas, we're striving to improve the cities and communities we serve, delivering a better world. During the year we developed a suite of lifecycle carbon tools to help benchmark and ultimately reduce carbon on our major projects.

In 2021 AECOM achieved our global operational net zero target as planned. This means reducing Scope 1 and 2 emissions in line with what is required to keep global temperature rise to 1.5C (at least 4% annual reduction for AECOM) and then undertaking carbon offsetting to address remaining operational emissions. Our UK Scope 1 and 2 emissions of 4,088 MtCO2e were offset by retiring carbon credits from a portfolio of wind power projects.

Directors' Report for the Year ended 1 October 2021 (continued)

Emissions reductions measures scheduled for 2022/23

To address our supply chain emissions, we will be engaging with our most significant suppliers to understand what they are doing and track progress against our target to drive these down further. We will also work closely with these suppliers to support their decarbonising journey and share best practice. We will use our expenditure systems and product/service category lifecycle information to constantly improve the accuracy of our supply chain emissions data. Our Sustainable Procurement Policy ensures emissions reduction is a key part of our supplier onboarding and other procurement processes. We will use information on the performance of our suppliers and their products or services in our procurement decision making, with preference being given to strong performers.

To further drive down scope 3 travel-related emissions, during the year we piloted travel planning tool MyMobilityHub in our Nottingham office. MyMobilityHub is an AECOM developed online tool to encourage staff to follow the low carbon travel hierarchy, prioritising web conferencing tools followed by active travel methods, public transport, electric vehicle use and car sharing, with the aim to avoid single-occupancy petrol and diesel vehicles and flying. In 2022, we will look to roll out MyMobilityHub across other regions.

We are aiming to gradually transition our fleet of vehicles to electric vehicles and installing charging infrastructure at our owned offices to reduce scope 1 emissions. As part of the continuing initiative to move to greener offices and consolidate real estate, we will prioritise moving to leased offices which have electric vehicle chargers and energy efficiency measures. For AECOM owned offices in Nottingham and Chesterfield, we are investigating on-site renewable energy generation through PV solar panels.

Disclosure of information to the auditors

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

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

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

On behalf of the Board

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AR Barker
Director

16 December 2022

Statement of Directors' Responsibilities

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the Group's profit or loss for that period.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion

We have audited the financial statements of AECOM Design & Consulting Services UK Limited ('the Company') and its subsidiaries (the 'Group') for the year ended 1 October 2021 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes 1 to 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and the Company's affairs as at 1 October 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information 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 there is 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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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 non-compliance 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, enquiries with 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 Members of AECOM Design & Consulting Services UK 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.

Ernst & Young LLP

....

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

London
16 December 2022

Consolidated Income Statement for the Year Ended 1 October 2021

	Note	2021 £ 000	2020 £ 000
Revenue	4	692,795	738,932
Cost of sales		(471,024)	(501,401)
Gross profit		221,771	237,531
Administrative expenses		(185,785)	(233,814)
Amortisation of intangible assets	12	(13,581)	(12,443)
Other operating income	5	483	5,419
Operating profit/(loss)	6	22,888	(3,307)
Share of profit of joint venture	15	1,415	1,712
Interest receivable and similar income	9	1,335	7,882
Interest payable and similar charges	10	(7,109)	(8,410)
Other finance cost - pensions	25	(3,034)	(3,195)
Profit/(loss) on ordinary activities before taxation		15,495	(5,318)
Tax income on profit (loss) on ordinary activities	11	4,782	1,127
Profit/(loss) for the financial year		20,277	(4,191)

All amounts relate to continuing operations.

Consolidated Statement of Comprehensive Income for the Year Ended 1 October 2021

	Note	2021 £ 000	2020 Restated (note 3.2) £ 000
Profit/(loss) for the financial year		20,277	(4,191)
Other Comprehensive Income			
Other comprehensive income that may be reclassified to the income statement in subsequent periods (net of tax):			
Exchange gain on translation of branch balances		1,122	419
Net other comprehensive income that may be reclassified to the income statement in subsequent periods		1,122	419
Other comprehensive income that will not be reclassified to the income statement in subsequent periods (net of tax):			
Actuarial gain/(loss) on defined benefit pension schemes	25	35,217	(25,717)
Tax (expense)/income on items relating to components of other comprehensive income	11	(1,137)	8,831
Net other comprehensive income that will not be reclassified to the income statement in subsequent periods		34,080	(16,886)
Other Comprehensive Income, net of tax		35,202	(16,467)
Total Comprehensive Income for the year		55,479	(20,658)

Consolidated Statement of Changes in Equity for the Year Ended 1 October 2021

	Share capital £ 000	Share premium £ 000	Currency translation reserve £ 000	Pooling of interest reserve £ 000	Retained earnings £ 000	Total £ 000
At 27 September 2019 as previously stated	-	375,000	-	-	-	375,000
Impact of prior year adjustment (see note 3.2)	-	-	-	(17,220)	-	(17,220)
At 27 September 2019 as restated	-	375,000	-	(17,220)	-	357,780
Change in accounting policy (see note 3.2)	-	-	-	-	(2,708)	(2,708)
At 28 September as restated (see note 3.2)	-	375,000	-	(17,220)	(2,708)	355,072
Loss for the year	-	-	-	-	(4,191)	(4,191)
Other comprehensive income as restated (see note 3.2)	-	-	419	-	(16,886)	(16,467)
Deferred tax effect of share based payments	-	-	-	-	320	320
At 2 October 2020 as restated	-	375,000	419	(17,220)	(23,465)	334,734

	Share capital £ 000	Share premium £ 000	Currency translation reserve £ 000	Pooling of interest reserve £ 000	Retained earnings £ 000	Total £ 000
At 3 October 2020 as restated	-	375,000	419	(17,220)	(23,465)	334,734
Profit for the year	-	-	-	-	20,277	20,277
Other comprehensive income	-	-	1,122	-	34,080	35,202
Deferred tax effect of share based payments	-	-	-	-	1,390	1,390
At 1 October 2021	-	375,000	1,541	(17,220)	32,282	391,603

Company Statement of Changes in Equity for the Year Ended 1 October 2021

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

	Share capital £ 000	Share premium £ 000	Retained earnings £ 000	Total £ 000
At 3 October 2020	-	375,000	(1,633)	373,367
Total comprehensive income for the year	-	-	(51,901)	(51,901)
At 1 October 2021	-	375,000	(53,534)	321,466

Consolidated Statement of Financial Position as at 1 October 2021

	Note	2021 £ 000	2020 Restated (note 3.2) £ 000	28 September 2019 Restated (note 3.2) £ 000
Non current assets				
Intangible assets	12, 3.2	263,003	276,454	288,743
Property, plant and equipment	13	19,373	19,351	17,164
Right of use assets	14	60,772	70,017	80,670
Investments	15	1,038	1,043	921
Deferred tax assets	11, 3.2	63,175	57,752	46,577
Defined benefit pension plan surplus	25	34,262	31,986	21,546
Investments - loans to group undertakings	17	21,639	21,105	-
Corporation tax receivable		6,461	5,458	4,225
Other receivables	18	5,522	1,560	1,697
Total non current assets		475,245	484,726	461,543
Current assets				
Inventory		-	-	552
Trade and other receivables	16	440,357	508,555	524,471
Cash and cash equivalents		14,638	28,150	12,547
Total current assets		454,995	536,705	537,570
Total assets		930,240	1,021,431	999,113
Current liabilities				
Trade and other payables	19	165,023	313,585	293,875
Total current liabilities		165,023	313,585	293,875
Non current liabilities				
Trade and other payables	20	122,002	126,179	123,373
Provisions	22	59,291	8,208	7,469
Defined benefit pension plan deficit	25	192,321	238,725	219,324
Total non current liabilities		373,614	373,112	350,166
Total liabilities		538,637	686,697	644,041
Capital and reserves				
Share capital	23	-	-	-
Share premium	23	375,000	375,000	375,000
Currency translation reserve		1,541	419	-
Pooling of interest reserve	3.2	(17,220)	(17,220)	(17,220)
Retained earnings/(accumulated losses)		32,282	(23,465)	(2,708)
Total equity		391,603	334,734	355,072
Total liabilities and equity		930,240	1,021,431	999,113

The notes on pages 29 to 112 form an integral part of these financial statements.

Consolidated Statement of Financial Position as at 1 October 2021 (continued)

These financial statements were approved by the Board on 16 December 2022 and signed on its behalf by:

....

AR Barker
Director

Company Statement of Financial Position as at 1 October 2021

	Note	2021 £ 000	2020 £ 000
Assets			
Non current assets			
Investments	15	385,517	425,000
Total non current assets		385,517	425,000
Total assets		385,517	425,000
Non current liabilities			
Trade and other payables	20	64,051	51,633
Total non current liabilities		64,051	51,633
Capital and reserves			
Share capital	23	-	-
Share premium	23	375,000	375,000
Accumulated losses		(53,534)	(1,633)
Total equity		321,466	373,367
Total liabilities and equity		385,517	425,000

The Directors have taken the exemption provided by Section 408 of the Companies Act 2006 and have not presented a Statement of Comprehensive Income for the Company. The loss for the year of the Company was £51,901,000 (2020: £1,633,000).

These financial statements were approved by the Board on 16 December 2022 and signed on its behalf by:

....

AR Barker

Director

Consolidated Statement of Cash Flows for the Year Ended 1 October 2021

	Note	2021 £ 000	2020 £ 000
Cash flows from operating activities			
Cash generated from operations	28	**2,279**	42,367
Taxation paid		**(323)**	(388)
Net cash from operating activities		**1,956**	41,979
Cash flows from investing activities			
Interest received		**-**	2
Purchase of property plant and equipment		**(5,572)**	(8,080)
Proceeds from disposal of property, plant and equipment		**-**	565
Purchase of intangible fixed assets		**(130)**	(154)
Net cash used in investing activities		**(5,702)**	(7,667)
Cash flows from financing activities			
Interest paid		**(725)**	(28)
Proceeds from borrowings from group undertakings		**11,000**	-
Repayments of interest and principal portion of lease liabilities		**(20,041)**	(18,681)
Net cash used in financing activities		**(9,766)**	(18,709)
Net (decrease)/increase in cash and cash equivalents		**(13,512)**	15,603
Cash and cash equivalents at the beginning of the year		**28,150**	12,547
Cash and cash equivalents at the end of the year		**14,638**	28,150

Within the reported cash balance there is £2,914,000 (2020: £15,342,000) of restricted cash.

Please see note 21 of the consolidated financial statements for further details regarding changes in liabilities arising from financing activities.

Company Statement of Cash Flows for the Year Ended 1 October 2021

	Note	2021 £ 000	2020 £ 000
Cash flows from operating activities			
Cash generated from operations	28	-	-
Net cash from/(used in) operating activities		-	-
Cash flows from investing activities			
Investment in group undertakings	15	**(11,000)**	-
Net cash used in investing activities		**(11,000)**	-
Cash flows from financing activities			
Proceeds from borrowings from group undertakings		**11,000**	-
Net cash from financing activities		**11,000**	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

The notes on pages 29 to 112 form an integral part of these financial statements.

Notes to the Financial Statements
At 1 October 2021

1 Authorisation of financial statements and statement of compliance with IFRS

The consolidated financial statements of AECOM Design & Consulting Services UK Limited and its subsidiaries (collectively, the Group) for the year ended 1 October 2021 were authorised for issue by the Board on 16 December 2022 and the Group and Company Statements of Financial Position were signed on the Board's behalf by AR Barker. The Company is incorporated and domiciled in England and Wales.

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

The consolidated financial statements of the Group 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 results of the Group 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 in the consolidated financial statements are set out in note 3.

2 Judgements and key sources of estimation uncertainty

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

The following judgments and estimates have had the most significant impact on amounts recognised in these consolidated financial statements:

2.1 Judgements

(a) Lease accounting

Lease Term

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

Notes to the Financial Statements
At 1 October 2021 (continued)

2 Judgements and key sources of estimation uncertainty (continued)

2.1 Judgements (continued)

(a) Lease accounting (continued)

For leases of offices, equipment and motor vehicles, the following factors are normally the most relevant:

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

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

As at 1 October 2021, 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 Group commits to exiting a property, in determining the fair value of right of use asset, the Group 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 Group assesses the cited market rate per square foot, likely marketing void period and other commercial terms specific to the property. These factors are then taken into account to calculate any resulting impairment where the calculated fair value is less than the carrying value of the right of use asset.

(b) Revenue recognition

The assessment of what is a performance obligation and of when the Group recognises revenue as a performance obligation is satisfied, is considered a key judgement by management. The Group reviews the appropriateness of assumptions made on a regular basis.

(c) Provisions

The Group recognises provisions in these financial statements when, and only when, the Group 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 Group reviews the criteria for recognising any potential provisions on a regular basis.

Notes to the Financial Statements
At 1 October 2021 (continued)

2 Judgements and key sources of estimation uncertainty (continued)

2.2 Estimates

(a) Lease accounting

Discounting future lease payments

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

Discounting future lease payments (continued)

The Group's incremental borrowing rates range between 3.09%-4.58% translating to an average rate of 3.83%. 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) 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 Group reviews the appropriateness of assumptions made on a regular basis.

(c) Goodwill

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

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

(d) Other intangible assets

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

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

2 Judgements and key sources of estimation uncertainty (continued)

2.2 Estimates (continued)

(e) Investments

The Company has non-current assets in the form of investments in subsidiaries. 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 those assets is impaired and whether a full impairment exercise is required to be carried out.

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

(f) Pension benefits

The carrying values of liabilities associated with defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 25.

(g) Provisions

Provisions are only recognised in these financial statements where a reliable estimate can be made of the amount of the obligation. Certain provisions included in the financial statements are reliant on estimates, which can be subject to uncertainty. The Group reviews the appropriateness of the assumptions made on a regular basis.

3 Significant accounting policies

3.1 Basis of preparation

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

The Group consolidated financial statements provide comparative information in respect of the previous period, in which accounting policies have been consistently applied.

The Group consolidated financial statements have been prepared on a going concern basis (see note 3.6 for further details).

The accounting policies which follow set out those policies which apply in preparing the Group consolidated financial statements for the year ended 1 October 2021.

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.2 Prior year restatement

Group - Defined benefit pension plan deficit

In accordance with the requirements of IAS 19 Employee Benefits, the prior year Consolidated Statement of Financial Position has been restated to reflect the impact of an incorrect mortality assumption being used to calculate the defined benefit pension plan deficit for the AECOM Group Pension Scheme - Scott Wilson Section.

The assumption applied followed the mortality table assumptions used in the preliminary results for the AECOM Group Pension Scheme valuation as at 30 September 2019. Each year, however, a new projection of future improvements is derived and applied to the mortality table, adding on the latest analysis of mortality rates over the previous year. In this instance, an incorrect future improvement rate was applied, resulting in the liabilities of the AECOM Group Pension Scheme - Scott Wilson Section as at 2 October 2020 being £10,825,000 higher than it would have been had the correct tables been used.

As a result, the prior year defined benefit pension plan deficit on the face of the Consolidated Statement of Financial Position has been restated and reduced by £10,825,000, with the corresponding and offsetting reduction being reflected in the 'Actuarial loss on defined benefit pension schemes' balance within the 2 October 2020 Consolidated Statement of Comprehensive Income. The adjustment has also been tax affected, at a rate of 19%, meaning that the deferred tax balance as at 2 October 2020 within Non current assets and the corresponding 'Tax income on items relating to components of other comprehensive income' balance within the 2 October 2020 Consolidated Statement of Comprehensive Income have also reduced, by an amount of £2,057,000.

There is no impact on profit or loss for the year ended 2 October 2020.

Group - Accounting for the business combination

In September 2019, AECOM International Holdings UK Limited ('AIHL') acquired AECOM Design & Consulting Services UK Limited ('DCS') (formerly known as URS Global Ltd) for a consideration of £1. At this point in time AIHL was immediate parent to both the AECOM UK Management Services business as well as the AECOM UK Design and Consulting Services business.

During 2019, however, AECOM decided to sell its Management Services business. As a result, the AECOM UK Design and Consulting Services business needed to be moved from underneath AIHL to a new parent entity, prior to the sale of AIHL. The primary trading entities within that Design and Consulting Services business were AECOM Limited ('AL') and AECOM Infrastructure & Environment UK Limited ('IE'). Subsequent to acquiring DCS for £1, AIHL transferred its investments in AL and IE to DCS at a combined fair market value of £375millon, and in exchange AIHL received 1 share in DCS. AIHL subsequently sold DCS to another AECOM group undertaking, AECOM Intercontinental Holdings UK Limited.

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.2 Prior year restatement (continued)

The acquisition of AL and IE by DCS was accounted for using the acquisition method of accounting under IFRS 3 in the consolidated financial statements of DCS for the years ended 27 September 2019 and 2 October 2020. However, management has revisited this accounting treatment while preparing the 2021 consolidated financial statements and have concluded that the acquisition by DCS in 2019 did not qualify under the acquisition method of accounting, because DCS was previously dormant at the point of acquisition, with no trading history. As a result, in accordance with IFRS 3 'Business Combinations', DCS could not be identified as the acquirer since it had no substance. Therefore, DCS has concluded this transaction to be a 'Business Combination Under Common Control' for which it would be appropriate to apply the pooling of interest method.

As a result, the pooling of interest method has been applied to this transaction by DCS as of 27 September 2019 compared to the acquisition method of accounting by using the same book values for goodwill, assets and liabilities as would have been shown in the consolidation of AIHL, the previous owner of AL and IE which had acquired these entities in 2019. Therefore, this prior year accounting correction has the impact of restating the opening balance sheet position in the comparative periods ended 27 September 2019 and 2 October 2020. This restatement is required to reflect the goodwill, intangible assets and deferred tax values that would have been recognised had DCS appropriately applied the pooling of interest method.

This adjustment resulted in a reduction in other intangible assets of £10,910,000, a reduction in goodwill of £7,265,000, a decrease in deferred tax liabilities of £955,000 (which have led to an increase in deferred tax assets), and creation of a debit equity reserve namely "Pooling of interest reserve" of £17,220,000 in comparison to those balances previously presented as at 27 September 2019. This impact has not then been rolled forward into the years ending 2 October 2020 and 1 October 2021, as the impact to the consolidated income statement and the consolidated balance sheet is not material. Therefore, there has been no change in the current year and prior year's profit and loss items.

The following tables show the 27 September 2019 and 2 October 2020 summarised comparative balance sheets as previously stated along with the impact of this prior year adjustment to arrive at the restated summarised comparative balance sheets as presented within these consolidated financial statements. Furthermore, line items that were not impacted by this change have not been presented in the table below and as DCS adopted IFRS 16 retrospectively from 28 September 2019 (using the modified retrospective approach), the impact of this adoption has also been presented in the table below:

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.2 Prior year restatement (continued)

	27 September 2019 (as originally presented)	Impact of prior year adjustment - business combinations	27 September 2019 (restated)	IFRS 16	28 September 2019 (restated)
	£ 000	£ 000	£ 000	£ 000	£ 000
Non current assets					
Intangible assets	309,416	(18,175)	291,241	(2,498)	288,743
Property, plant and equipment	24,308	-	24,308	(7,144)	17,164
Right of use assets	-	-	-	80,670	80,670
Deferred tax assets	45,067	955	46,022	555	46,577
Total non current assets	407,180	(17,220)	389,960	71,583	461,543
Current assets					
Trade and other receivables	528,110	-	528,110	(3,639)	524,471
Total current assets	541,209	-	541,209	(3,639)	537,570
Total assets	948,389	(17,220)	931,169	67,944	999,113
Current liabilities					
Trade and other payables	292,601	-	292,601	1,274	293,875
Non current liabilities					
Trade and other payables	53,995	-	53,995	69,378	123,373
Total liabilities	573,389	-	573,389	70,652	644,041
Net assets	375,000	(17,220)	357,780	(2,708)	355,072
Capital and reserves					
Pooling of interest reserve	-	(17,220)	(17,220)	-	(17,220)
Retained earnings	-	-	-	(2,708)	(2,708)
Total equity	375,000	(17,220)	357,780	(2,708)	355,072

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.2 Prior year restatement (continued)

	2 October 2020 (as originally presented)	Impact of prior year adjustment - pension	Impact of prior year adjustment - business combinations	2 October 2020 (restated)
	£ 000	£ 000	£ 000	£ 000
Non current assets				
Intangible assets	294,629	-	(18,175)	276,454
Deferred tax assets	58,854	(2,057)	955	57,752
Total non current assets	504,003	(2,057)	(17,220)	484,726
Total assets	1,040,708	(2,057)	(17,220)	1,021,431
Non current liabilities				
Defined benefit pension plan deficit	249,550	(10,825)	-	238,725
Total non current liabilities	383,937	(10,825)	-	373,112
Total liabilities	697,522	(10,825)	-	686,697
Capital and reserves				
Pooling of interest reserve	-	-	(17,220)	(17,220)
Accumulated losses	(32,233)	8,768	-	(23,465)
Total equity	343,186	8,768	(17,220)	334,734
Total liabilities and equity	1,040,708	(2,057)	(17,220)	1,021,431

3.3 New standards, amendments and IFRIC interpretations

There are no accounting standards, amendments or IFRC interpretations that are effective for the year ended 1 October 2021 which have had a material impact on the Company or Group.

3.4 Standards issued but not yet effective

New and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below:

• Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

• Covid-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16

The Group intends to adopt these new and amended standards and interpretations when they become effective. The amendments listed above are not expected to have a material impact on the Group.

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.5 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 1 October 2021.

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

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

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

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

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

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

- Rights arising from other contractual arrangements; and

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

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

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.5 Basis of consolidation (continued)

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

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

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

• Derecognises the cumulative translation differences, recorded in equity;

• Recognises the fair value of the consideration received;

• Recognises the fair value of any investment retained;

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

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

Composition of the Group

The consolidated financial statements of the Group include:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
AECOM Limited	Design & Consulting Services	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
AECOM Infrastructure & Environment UK Limited	Design & Consulting Services	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
Maunsell Structural Plastics Limited *	In liquidation	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
AKT JV Limited *	Dormant Company	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	95%	95%

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.5 Basis of consolidation (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
AECOM Environmental Services Limited	Construction Services	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
AECOM (Montenegro) d o o *	Dormant Company	BULEVAR DŽORDŽA VAŠINGTONA BR.51, Podgorica, Montenegro	100%	100%
Bullen Consultants Limited *	Dormant Company	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
Gault & Chambers Bullen Limited *	Dormant Company	9th Floor, The Clarence West Building, 2 Clarence Street West, Belfast, BT2 7GP	100%	100%
Mulholland & Doherty Limited *	In liquidation	9th Floor, The Clarence West, Building, 2 Clarence Street, West, Belfast, BT2 7GP UK	100%	100%
AECOM Pension Trustee Limited *	Dormant Company	Aldgate Tower, 2 Leman Street, London, England, E1 8FA, UK	100%	100%
URS Scott Wilson India Private Limited *	Design & Consulting Services	Flat No. 513, Vishwadeep Tower, District Centre, Janakpuri, New Delhi, West Delhi, Delhi 11058, India	100%	100%
AECOM Srbija d o o *	Engineering Consulting	Dragiše Brašovana 1, Belgrade-Novi Beograd, Beograd-Novi Beo, Serbia	100%	100%
Scott Wilson Maroc SARL-AU *	Engineering Consulting	N°9 rue Arryad, Appt. N°5 – Hassan, Rabat, Morocco	100%	100%

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.5 Basis of consolidation (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
Scott Wilson Eastern Africa Limited *	Engineering Consulting	Upperhill. Building: Lr No 209/11260, Kenya-Re Towers, Nairobi, Kenya	100%	100%
Scott Wilson Central Asia LLP *	Engineering Consulting	134 Dostyk Avenue, Almaty 050051, Kazakhstan	100%	100%
Ferguson & McIlveen Holdings Limited *	In liquidation	Beechill House, Beechill Road, Belfast, BT8 7RP, UK	100%	100%
Ferguson McIlveen Consultants Limited *	Dissolved	70 Sir John Rogerson's Quay, Dublin 2, Ireland, D02R296	0%	100%
INNO MMC Limted	Disposed of	Aldgate Tower, 2 Leman Street, London, E1 8FA, UK UK	0%	100%

* These are indirect subsidiaries of the Company.

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

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

On 4 February 2021 Mulholland & Doherty Limited and Ferguson & McIlveen Holdings Limited were put into liquidation. At the point the companies are formally dissolved they will be disposed of.

On 28 May 2021 Ferguson McIlveen Consultants Limited was dissolved. The investment had no carrying value and therefore there was no gain or loss recognised on disposal.

On 27 September 2021 the Company acquired the entire issued share capital of AECOM Environmental Solutions Limited, a fellow AECOM group undertaking, from AECOM Limited for a total consideration of £1, now making it a direct subsidiary of the Company.

The Group's ultimate parent undertaking is AECOM which is incorporated in the United States of America. The Group's results are included within the consolidated financial statements of AECOM which are publicly available from 13355 Noel Road, Suite 400, Dallas, Texas, 75240, United States of America.

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.6 Going concern

The Group has net current assets of £290.0 million and net assets of £391.6 million. In supporting the going concern assessment, the Board has assessed whether the Group and the Company will be able to meet its liabilities as and when they fall due for a period of twelve months from the date of approval of the Group and the Company's financial statements and up to December 16, 2023.

When performing the going concern assessment, the Board have considered the ongoing impact of COVID-19 on the Group and the Company's business operations and future prospects. In respect of AECOM globally, the most significant potential impact on financial results and cashflows resulting from COVID-19 is in relation to project delivery, however, to date the Group and the Company has not experienced any adverse trading conditions.

The Board has obtained a written confirmation of financial support from its ultimate parent undertaking, that it will assist the Group and the Company in meeting their liabilities as and when they fall due, if required, for a period of 12 months from the date of approval of the Group and the Company's financial statements.

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

3.7 Revenue and contracts

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

Recognition of revenue and profit is dependent upon a number of factors, including the accuracy of a variety of estimates made at the balance sheet date (e.g. engineering progress, material quantities, the achievement of milestones, penalty provisions, labour productivity and cost estimates). Ultimately, the Group recognises revenue 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.

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

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

3 Significant accounting policies (continued)

3.7 Revenue and contracts (continued)

(a) Fixed price contracts

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

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

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

(b) Cost reimbursable contracts

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

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

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

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.

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.7 Revenue and contracts (continued)

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

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

3.8 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.

3.9 Other income and expense

(a) Interest receivable and payable

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.9 Other income and expense (continued)

(b) Dividend income

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

3.10 Intangible assets

(a) Business combination and goodwill

Business combinations including those under common control, where there is substance to the transaction, are accounted for using the acquisition method. All other business combinations are accounted for using the pooling of interest method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

Under the pooling of interest method, no goodwill is recognised and instead 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 is recognised in a pooling of interest reserve.

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

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.10 Intangible assets (continued)

(b) Other intangible assets

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

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

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

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

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

(c) Research and development costs

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.11 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:

Fixtures, fittings, tools and equipment - 7 - 10 years
Computer equipment - 4 - 5 years
Freehold buildings - 30 years
Motor vehicles - 5 years
Leasehold property and improvements - shorter of 10 years and the term of the lease *

* 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.

Land is not depreciated as it is deemed to have an indefinite life.

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. Useful lives were reviewed and amended in June 2021. The impact on the Consolidated Income Statement as a result of the amended depreciation rates was not significant in the current year and is not expected to be significant in future years.

3.12 Investments

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

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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

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

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.12 Investments (continued)

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

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

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

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

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

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

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

3.13 Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to note 3.21.

3 Significant accounting policies (continued)

3.14 Impairment of non-financial assets

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

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

3.15 Income taxes

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

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

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

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

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.16 Foreign currencies

The Group and the Company's financial statements are presented in sterling which is also the Group and the Company's functional currency. Transactions in foreign currencies are initially recorded into the Group and 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 reporting date with exchange gains and losses dealt with through the Income Statement.

For each entity included within the Group consolidated financial statements, the entity determines its functional currency, and items included in the financial statements of each entity are measured using that functional currency.

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

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

3.17 Leases

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

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.17 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 Group under residual value guarantees, purchase options (if the Group is reasonably certain to exercise that option), or lease termination penalties.

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

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

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

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

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

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

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

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

3.18 Pensions

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.18 Pensions (continued)

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

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

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

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

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

3.19 Equity settled share-based payments

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

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

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

3 Significant accounting policies (continued)

3.19 Equity settled share-based payments (continued)

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

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

3.20 Trade receivables, other receivables 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 Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and days past due. Contract assets have substantially the same risk characteristics as trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Other receivables are recognised at the lower of their original invoiced value or their recoverable amount. Where the time value of money is not material, other receivables are carried at amortised cost. Expected credit losses are measured in relation to the Group's historic default experience of other receivables, 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 Group assesses recoverability at each reporting period end date using historical experience and depending on whether those receivables are due on demand (12 month expected loss allowance), or where not due on demand, whether a significant increase in credit risk has occurred since original recognition of the instrument (lifetime expected loss allowance).

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.21 Financial instruments

(a) Financial assets

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

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

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

(a) Financial assets (continued)

Derecognition
The Group derecognises a financial asset when:

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

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.21 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 Group recognises financial liabilities in the Consolidated Statement of Financial Position when, and only when, it becomes party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

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

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

(c) Offsetting financial assets and financial liabilities

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

3.22 Provisions

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

3 Significant accounting policies (continued)

3.23 Cash and cash equivalents

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

Included within Cash and cash equivalents is an amount of £5,455,000 (2020: £3,030,000) relating to short term deposits with a maturity date of 3 months or less.

4 Revenue

Revenue recognised in the Consolidated Income Statement, net of value added tax, for 2021 relates entirely to the rendering of services.

An analysis of revenue by geographical market is given below:

	2021 £ 000	2020 £ 000
UK	583,293	664,364
Europe	37,047	32,212
Middle East	54,786	26,828
Rest of the World	17,669	15,528
	692,795	738,932

An analysis of revenue by operating segment is given below:

	2021 £ 000	2020 £ 000
Building and Places	255,576	273,034
Environment and Ground Engineering	136,656	153,685
Civil Infrastructure	294,614	291,601
Other	5,949	20,612
	692,795	738,932

The Group recognised revenue in the period of £34,516,000 (2020: £38,115,000) that was included in the contract liabilities balance at the beginning of the prior period.

Notes to the Financial Statements
At 1 October 2021 (continued)

4 Revenue (continued)

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

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

As of 1 October 2021, the Group had allocated £477 million (2020: £429 million) of transaction price to unsatisfied or partially satisfied performance obligations, of which approximately 79% (2020: 74%) is expected to be satisfied within the next twelve months. The remaining performance obligations expected to be recognised in more than twelve months relate to projects which are long term in nature.

The Group has not recognised any assets in connection with costs incurred to obtain contracts as at 1 October 2021 (2020: Nil).

5 Other operating income

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

	2021 £ 000	2020 £ 000
Government grants	483	5,419

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

6 Operating loss

This is stated after charging (crediting):

	2021 £ 000	2020 £ 000
Depreciation of property, plant and equipment	5,516	5,278
Depreciation of right of use assets	15,491	14,943
Impairment (reversal)/charge on right of use assets	(334)	2,984
Amortisation of intangible assets	13,581	12,443
Loss on sale or disposal of property, plant and equipment	34	32
Profit on sale or disposal of right of use assets	-	(34)
Gain on early termination of leases	(192)	-
Share-based payment expense	4,059	2,650
Net foreign currency gains	(653)	(735)

Items affecting operating loss in relation to right of use assets and lease liabilities are disclosed further in note 21.

The Group and the Company have not capitalised any development expenditure in the current or preceding year.

Notes to the Financial Statements
At 1 October 2021 (continued)

7 Auditors' remuneration

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

	2021 £ 000	2020 £ 000
Audit of the financial statements of the Group	74	144
Audit fees borne in connection with the audit of other group companies	835	825
Taxation compliance services	6	21
All other tax advisory services	6	-
All other assurance services	12	20
	933	1,010

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

8 Staff costs

(a) Staff costs

The Company has no employees (2020: no employees).

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

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

	2021 £ 000	2020 £ 000
Wages and salaries	316,720	326,127
Social security costs	32,853	35,285
Other pension costs	16,970	17,127
	366,543	378,539

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

Notes to the Financial Statements
At 1 October 2021 (continued)

8 Staff costs (continued)

(a) Staff costs (continued)

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

	2021 No.	2020 No.
Engineering and technical	6,342	6,828
Administration and finance	586	705
	6,928	7,533

(b) Directors' remuneration

No Directors' remuneration is included in the Company financial statements given that remuneration of Directors of the Company is borne by other companies within the AECOM group. Remuneration of Directors of the Group, who meet the definition of key management personnel, is disclosed in note 29 to these consolidated financial statements.

9 Interest receivable

	2021 £ 000	2020 £ 000
Interest receivable from group undertakings	1,198	7,761
Other interest income	137	121
	1,335	7,882

10 Interest payable

	2021 £ 000	2020 £ 000
Interest payable to group undertakings	2,968	4,410
Other finance costs	777	106
Interest expense on lease liabilities	3,364	3,894
	7,109	8,410

Notes to the Financial Statements
At 1 October 2021 (continued)

11 Income tax

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

The tax charge is made up as follows:

	2021 £ 000	2020 £ 000
Current income tax:		
UK corporation tax	-	-
Foreign tax	388	897
Total current income tax	388	897
Deferred tax:		
Origination and reversal of temporary differences	(1,046)	(635)
Impact of change in tax laws and rates	(4,124)	(1,389)
Total deferred taxation	(5,170)	(2,024)
Tax income in the Consolidated Income Statement	(4,782)	(1,127)

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

	2021 £ 000	2020 Restated £ 000
Current tax:		
Total current income tax expense/(income)	-	-
Deferred tax:		
Actuarial gains on defined benefit pension plans	9,246	(4,886)
Impact of changes in tax laws and rates	(8,109)	(3,945)
Total deferred tax expense/(income)	1,137	(8,831)
Tax expense/(income) in the Consolidated Statement of Comprehensive Income	1,137	(8,831)

Notes to the Financial Statements
At 1 October 2021 (continued)

11 Income tax (continued)

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

The tax charge on the profit for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £ 000	2020 £ 000
Profit/(loss) before tax	15,495	(5,318)
Profit/(loss) multiplied by standard rate of corporation tax in the UK	2,944	(1,011)
Effects of:		
Income not deductible for tax purposes	(1,370)	(307)
Expenses not deductible for tax purposes	403	472
Deferred tax not recognised	(1,398)	310
Group relief received for nil payment	(587)	-
Foreign tax	159	897
Amounts overprovided in previous years	(318)	(236)
Changes in tax laws and rates	(4,615)	(1,435)
Deferred tax recognised through OCI	-	183
Total tax income reported in the Consolidated Income Statement	(4,782)	(1,127)

(d) Factors affecting future tax charges

During the current 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 change was enacted before the balance sheet date, and the impact has been reflected in the financial statements of the Group and the Company.

Subsequent to the balance sheet date the Government announced that the planned increase in rate will no longer go ahead. This change is not yet enacted and therefore is not reflected in these financial statements.

Notes to the Financial Statements
At 1 October 2021 (continued)

11 Income tax (continued)

(e) Deferred tax

Group deferred tax is provided at 24.14 % (2020: 19%) in the financial statements as follows:

	2021 £ 000	2020 Restated £ 000
Other temporary differences	(12,288)	(12,619)
Capital allowances	12,379	11,153
Pension schemes	38,082	39,219
Tax losses carried forward	25,002	19,999
Deferred tax asset	63,175	57,752

Movement in deferred tax balance during the year

	2 October 2020 Restated £ 000	Recognised in the income statement £ 000	Recognised in equity £ 000	Recognised in other comprehensive income £ 000	1 October 2021 £ 000
Other temporary differences	(12,619)	(1,059)	1,390	-	(12,288)
Capital allowances	11,153	1,226	-	-	12,379
Pension schemes	39,219	-	-	(1,137)	38,082
Tax losses carried forward	19,999	5,003	-	-	25,002
	57,752	5,170	1,390	(1,137)	63,175

Notes to the Financial Statements
At 1 October 2021 (continued)

11 Income tax (continued)

(e) Deferred tax (continued)

Movement in deferred tax balance during the prior year

	28 September 2019 - as previously stated £ 000	Prior year adjustments £ 000	28 September 2019 Restated £ 000	Recognised in the income statement £ 000	Recognised in equity £ 000	Recognised in other comprehensive income £ 000	Prior year adjustment - pension £ 000	2 October 2020 Restated £ 000
Other temporary differences	(15,094)	1,510	(13,584)	645	320	-	-	(12,619)
Capital allowances	9,385	-	9,385	1,768	-	-	-	11,153
Pension schemes	33,531	-	33,531	(3,143)	-	10,888	(2,057)	39,219
Tax losses carried forward	17,245	-	17,245	2,754	-	-	-	19,999
	45,067	1,510	46,577	2,024	320	10,888	(2,057)	57,752

Prior year adjustments of £1,510,000 include an amount of £955,000 in relation to the impact of the business combinations prior year adjustment as discussed in note 3.2, and an amount of £555,000 recognised through retained earnings in respect of the IFRS 16 transition adjustment on adoption of IFRS 16 on 28 September 2019.

The prior year pension schemes deferred tax balance has been restated from the previously reported balance of £41,276,000, and reduced by an amount of £2,057,000 to £39,219,000 in relation to a prior year adjustment (see note 3.2 for more details).

Deferred tax assets not recognised amount to £809,000 (2020: £347,000) which relates wholly to temporary differences. These assets do not have an expiry date. There are no unused tax losses or credits for which no deferred tax assets has been recognised as at 1 October 2021 (2020: nil).

In a prior year a deferred tax liability of £14,571,000 was recognised in respect of the intangible assets acquired as part of the business combination involving AECOM Limited and AECOM Infrastructure & Environment UK Limited.

Notes to the Financial Statements
At 1 October 2021 (continued)

11 Income tax (continued)

(f) Research and development expenditure

The Group's research and development expenditure qualifying for research and development expenditure credit (RDEC) in the prior year was £37,279,000. The Group's estimated RDEC qualifying expenditure in the current year is expected to be in line with prior year. The Group finalises its current year research and development claim subsequent to the filing of these consolidated financial statements.

12 Intangible assets

Group

	Software, licenses and patents £ 000	Other intangible assets £ 000	Goodwill £ 000	Total £ 000
Cost:				
At 3 October 2020 - as previously stated	363	95,483	211,226	307,072
Impact of prior year adjustment (see note 3.2)	-	2,904	(7,265)	(4,361)
At 3 October 2020 (restated)	363	98,387	203,961	302,711
Additions	130	-	-	130
Disposals	(20)	-	-	(20)
At 1 October 2021	473	98,387	203,961	302,821
Amortisation and impairment:				
At 3 October 2020 - as previously stated	(142)	(12,301)	-	(12,443)
Impact of prior year adjustment (see note 3.2)	-	(13,814)	-	(13,814)
At 3 October 2020 (restated)	(142)	(26,115)	-	(26,257)
Charge for the year	(82)	(13,499)	-	(13,581)
On disposals	20	-	-	20
At 1 October 2021	(204)	(39,614)	-	(39,818)
Net book value:				
At 1 October 2021	269	58,773	203,961	263,003
At 2 October 2020 (restated)	221	72,272	203,961	276,454

Notes to the Financial Statements
At 1 October 2021 (continued)

12 Intangible assets (continued)

No intangible assets were pledged as security.

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

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

	2021 £ 000	2020 Restated £ 000
Building and Places	64,696	64,696
Civil Infrastructure	94,229	94,229
Environment and Ground Engineering	45,035	45,035
	203,960	203,960

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

Goodwill allocated to cash generating units has been restated following the impact of the prior year adjustment, as discussed in note 3.2.

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, taking into consideration the future impact on the UK business as a result of COVID-19. A separate value in use calculation has been prepared for URS Scott Wilson India Private Limited, which forms part of the Group.

Estimates used in value in use calculation

Revenue growth rates and profitability forecasts reflect management's estimate of the future performance. Management's estimates have been benchmarked against historical financial performance as well as industry expectations. Future revenue is extrapolated by the expected growth rate applicable to each CGU with an inflationary terminal growth rate assumption of 2.0% (2020: 2.5%).

The rate at which the projected cash flows have been discounted represents an estimate of the Group's Weighted Average Cost of Capital (WACC). This was calculated for the wider Design & Consulting Services (DCS) business in the UK, being the market segment in which the Group operates. The discount rate applied to cash flows is 10.0% (2020: 12.0%). Had a pre- tax rate been applied, the rate would have been 10.8% (2020: 13.0%). A separate discount rate was applied to the valuation of URS Scott Wilson India Private Limited, of 11.5% (2020: 14.0%). Had a pre- tax rate been applied, the rate would have been 14.6% (2020: 22.0%).

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

Notes to the Financial Statements
At 1 October 2021 (continued)

12 Intangible assets (continued)

Sensitivity of valuation to changes in key assumptions

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

Revenue growth rate estimates – rates are benchmarked based on historical financial performance as well as industry expectations. As discussed above, future revenue is extrapolated by the expected growth rate applicable to each CGU with an inflationary terminal growth rate assumption of 2.0%.

Management recognises that changes in the economic environment in which the Group operates can have a significant impact on growth rate assumptions. Having said that, a reduction in revenue growth rates is not expected to result in an impairment to the carrying value of goodwill.

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

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

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

13 Property, plant and equipment

Group

	Freehold land and buildings and improvements £ 000	Fixtures, fittings, tools and equipment £ 000	Computer equipment £ 000	Leasehold improvements £ 000	Motor vehicles £ 000	Total £ 000
Cost:						
At 3 October 2020	3,187	4,728	3,973	12,072	61	24,021
Additions	-	259	2,942	2,371	-	5,572
Disposals	-	(322)	(110)	(391)	(18)	(841)
At 1 October 2021	3,187	4,665	6,805	14,052	43	28,752
Depreciation:						
At 3 October 2020	(135)	(1,468)	(864)	(2,149)	(54)	(4,670)
Charge for the year	(135)	(1,163)	(1,914)	(2,303)	(1)	(5,516)
Eliminated on disposal	-	322	92	377	16	807
At 1 October 2021	(270)	(2,309)	(2,686)	(4,075)	(39)	(9,379)
Net book value:						
At 1 October 2021	2,917	2,356	4,119	9,977	4	19,373
At 2 October 2020	3,052	3,260	3,109	9,923	7	19,351

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

Notes to the Financial Statements
At 1 October 2021 (continued)

14 Right of use assets

Group

	Computer equipment £ 000	Property £ 000	Motor vehicles £ 000	Total £ 000
Cost:				
At 3 October 2020	8,991	75,929	-	84,920
Additions	4,862	520	1,087	6,469
Disposals	(786)	(2,067)	-	(2,853)
At 1 October 2021	13,067	74,382	1,087	88,536
Depreciation:				
At 3 October 2020	(1,086)	(13,817)	-	(14,903)
Charged during the year	(5,015)	(10,368)	(108)	(15,491)
Eliminated on disposal	786	1,510	-	2,296
Impairment reversal	-	334	-	334
At 1 October 2021	(5,315)	(22,341)	(108)	(27,764)
Net book value:				
At 1 October 2021	7,752	52,041	979	60,772
At 2 October 2020	7,905	62,112	-	70,017

During the year an adjustment was posted to computer equipment right of use assets and lease liabilities as a result of a full data validation exercise being conducted when the leases were migrated onto a new leasing system. This resulted in an increase in additions of £1,661,000 and an increase in depreciation charge of £1,146,000 and an increase in corresponding lease liability additions of £742,000 (see note 21).

Notes to the Financial Statements
At 1 October 2021 (continued)

15 Investments

Summary of investments held by the Group and the Company at 1 October 2021:

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Investments in subsidiaries	-	-	385,517	425,000
Investments in joint ventures	1,009	1,019	-	-
Investments in associates	29	24	-	-
	1,038	1,043	385,517	425,000

All investments are in unlisted entities.

(a) Subsidiaries

	Company £ 000
Cost:	
At 2 October 2020	425,000
Additions	11,000
At 1 October 2021	436,000
Provision for impairment:	
At 2 October 2020	-
Charge in year	50,483
At 1 October 2021	50,483
Net book value:	
At 1 October 2021	385,517
At 2 October 2020	425,000

Details of the Company's subsidiaries as at 1 October 2021 can be found in note 3.5.

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. The Directors believe that the carrying values of investments at 1 October 2021 are supported by their underlying net assets, or value in use.

Notes to the Financial Statements
At 1 October 2021 (continued)

15 Investments (continued)

(a) Subsidiaries (continued)

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. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. Where an impairment charge has been recorded based on value in use, the post-tax discount rate applied to the cash flows of the underlying businesses was 10% (2020: 12%). Had a pre-tax rate been applied, the rate would have been 10.8% (2020: 12.6%).

An impairment charge of £50,483,000 (2020: £nil) has been recognised in relation to the Company's investments in AECOM Infrastructure & Environment UK Limited and AECOM Environmental Solutions Limited, where the recoverable amount has been identified as being lower than the carrying value. The recoverable amounts for these investments, after impairment, are £178,657,000 and £1,018,000 respectively.

Recoverable value
When assessing investments for impairment, as discussed above, where the recoverable amount is based on a value in use approach this calculation uses cash flow projections based on financial forecasts approved by management.

The most sensitive key assumptions used within that value in use calculation are as follows:

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

Revenue growth rate estimates – rates are benchmarked based on historical financial performance as well as industry expectations. As discussed above, future revenue is extrapolated by the expected growth rate applicable to each CGU with an inflationary terminal growth rate assumption of 2.0%.

Management recognises that changes in the economic environment in which the Group operates can have a significant impact on growth rate assumptions.

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

Management recognises that decreased demand and an increased cost base can of course lead to a decline in the operating profit margin.

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

The following outlines the impact on the recoverable value of the investment in AECOM Infrastructure & Environment UK Limited of a change in these key assumptions (note that the recoverable value of the investment in AECOM Environmental Solutions Limited has been based on net asset value, and so sensitivity has not been presented for this investment):

Notes to the Financial Statements
At 1 October 2021 (continued)

15 Investments (continued)

(a) Subsidiaries (continued)

Key assumption:	Change in assumption	Impact on carrying value as at 1 October 2021 £ 000
Revenue growth rate	+ 1 %	13,660
Revenue growth rate	- 1 %	(10,700)
Operating profit margin	+ 1 %	34,830
Operating profit margin	- 1 %	(34,830)
Discount rate	+ 1 %	(9,180)
Discount rate	- 1 %	12,530

Movements in the year
On 27 September 2021 the Company acquired the entire issued share capital of AECOM Environmental Solutions Limited, a fellow AECOM group undertaking, from AECOM Limited for a total consideration of £1, now making it a direct subsidiary of the Company.

The Company subsequently purchased 1 new £1 Ordinary share in AECOM Environmental Solutions Limited for total consideration of £11,000,000. Subsequent to the acquisition the carrying value of the investment was impaired to the net asset value of AECOM Environmental Solutions Limited as at 1 October 2021 resulting in an impairment charge of £9,982,000 to the income statement.

(b) Joint ventures

	Group £ 000
At 2 October 2020	1,019
Share of profit of joint ventures	1,415
Cash distributions received from joint ventures during the year	(1,425)
At 1 October 2021	1,009

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

Notes to the Financial Statements
At 1 October 2021 (continued)

15 Investments (continued)

(b) Joint ventures (continued)

Details of the group joint ventures as at 1 October 2021 are as follows:

Name of Joint ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the group 2021	2020
Transcend Partners Limited	Consulting Engineers	Elms House, 43 Brook Green, London, England, W6 7EF	40%	40%
Conway AECOM Limited	Consulting Engineers	Conway House, Vestry Road, Sevenoaks, Kent, England, TN1 45E	50%	50%
Perfect Circle JV Limited	Consulting Engineers	Halford House, Charles Street, Leicester, England, LE1 1HA	33%	33%
Ionia Odos	Consulting Engineers	OMEK Consulting Engineers SA 238, Kifissias Avenue, Chalandri 152 31, Athens, Greece	50%	50%
Central Greece E65	Consulting Engineers	OMEK Consulting Engineers SA 238, Kifissias Avenue, Chalandri 152 31, Athens, Greece	50%	50%
SWL – SWKIPL – Joint Venture	Consulting Engineers	43, Richmond Road, Bangalore 560 025, India	100%	100%

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

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

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

15 Investments (continued)

(b) Joint ventures (continued)

	2021 £ 000	2020 £ 000
Transcend Partners Limited summarised balance sheet		
Current assets (including cash of 2021 £1,155, 2020: £1,310)	2,370	5,493
Current liabilities	(1,327)	(4,671)
Net assets	1,043	822
Share in equity	40%	40%
Group's carrying amount of the investment	417	329

	2021 £ 000	2020 £ 000
Transcend Partners Limited summarised profit and loss account		
Revenue	12,007	18,472
Cost of Sales	(10,310)	(16,070)
Administrative expenses	(1,425)	(1,958)
Profit before tax	272	444
Income tax expense	(52)	(84)
Profit after tax	220	360
Share in equity	40%	40%
Group's share of profit for the year	88	144

	2021 £ 000	2020 £ 000
Conway AECOM Limited summarised balance sheet		
Non current assets	-	272
Current assets (including cash of 2021: £6,432, 2020: £1,951)	17,359	11,014
Current liabilities	(16,345)	(10,169)
Net assets	1,014	1,117
Share in equity	50%	50%
Group's carrying amount of the investment	507	559

Notes to the Financial Statements
At 1 October 2021 (continued)

15 Investments (continued)

(b) Joint ventures (continued)

	2021 £ 000	2020 £ 000
Conway AECOM Limited summarised profit and loss account		
Revenue	35,333	54,100
Cost of sales	(33,032)	(52,986)
Administrative expenses (including depreciation of 2021: £272, 2020: £281)	(2,313)	(1,239)
Finance costs	-	(40)
Loss before tax	(12)	(165)
Income tax credit	-	31
Loss after tax	(12)	(134)
Share in equity	50%	50%
Group's share of loss for the year	(6)	(67)

	2021 £ 000	2020 £ 000
Perfect Circle JV Limited summarised balance sheet		
Non current assets	-	1
Current assets (including cash of 2021: £2,018, 2020: £922)	14,427	16,611
Current liabilities	(14,388)	(16,559)
Net assets	39	53
Share in equity	33%	33%
Group's carrying amount of the investment	13	17

Notes to the Financial Statements
At 1 October 2021 (continued)

15 Investments (continued)

(b) Joint ventures (continued)

	2021 £ 000	2020 £ 000
Perfect Circle JV Limited summarised profit and loss account		
Revenue	161,117	167,110
Cost of sales	(154,332)	(160,117)
Administrative expenses	(1,638)	(1,226)
Profit before tax	5,147	5,767
Income tax expense	(1,022)	(1,139)
Profit after tax	4,125	4,628
Share in equity	33%	33%
Group's share of profit for the year	1,375	1,527

The share of profit relating to non material Joint Ventures in the current year was £72,000 (2020: £114,000).

Notes to the Financial Statements
At 1 October 2021 (continued)

15 Investments (continued)

(c) Associates

	Group £ 000
Cost:	
At 2 October 2020	24
Additions	5
At 1 October 2021	29
Provision for impairment:	
At 2 October 2020	-
At 1 October 2021	-
Net book value:	
At 1 October 2021	29
At 2 October 2020	24

Details of the group associates as at 1 October 2021 are as follows:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held by the group 2021	2020
Grontmij Maunsell Holdings BV (Reg: 30164459) *	Dormant	De Holle Bilt 22, De Bilt, 3732HM. Netherlands	49%	49%
The RC Management Company Limited *	Not for profit	Block A, Royal Court, Basil Close, Chesterfield, S41 7SL	49%	49%

* Indicates indirectly owned.

Notes to the Financial Statements
At 1 October 2021 (continued)

15 Investments (continued)

(d) Joint operations

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

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

16 Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Trade receivables	65,684	68,779	-	-
Amounts owed by group undertakings	282,885	338,583	-	-
Contract assets	76,416	80,195	-	-
Other receivables	5,672	10,761	-	-
Prepayments	9,700	10,237	-	-
	440,357	508,555	-	-

Group trade receivables are stated after expected credit losses of £2,095,000 (2020: £7,828,000). Trade receivables 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 expected credit losses on amounts owed by group undertakings (2020: £nil).

Contract assets are stated after expected credit losses of £5,197,000 (2020: £4,153,000).

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

Amounts owed by group undertakings above represent balances owed to fellow AECOM entities that are wholly owned subsidiaries of the ultimate parent undertaking. Balances owed from associates and joint ventures are disclosed in note 29.

17 Investments - loans to group undertakings

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Amounts owed by group undertakings	21,639	21,105	-	-

Amounts owed by group undertakings are unsecured, bear interest at rates based on LIBOR plus a margin and have no fixed date of repayment. As the Group has no immediate plans in place to recover these amounts owed by group undertakings within 12 months of the balance sheet date, they have been classified as non-current assets as at 1 October 2021.

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

Notes to the Financial Statements
At 1 October 2021 (continued)

18 Non current other receivables

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Other non current receivables	5,522	1,560	-	-

Other receivables represent the Group's proportionate share of amounts receivable in greater than one year, within its joint operations that are not accounted for using the equity method and amounts receivable in respect of corporation tax related research and development expenditure credits due in more than one year.

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

	Group		Company	
	2021	2020	2021	2020
	£ 000	£ 000	£ 000	£ 000
Trade payables	17,095	24,452	-	-
Lease liabilities (see note 21)	12,385	14,728	-	-
Contract liabilities	49,511	49,214	-	-
Amounts owed to group undertakings	10,501	122,962	-	-
Other payables	840	317	-	-
Pension scheme contributions outstanding	1,233	-	-	-
Other taxes and social security costs	22,284	39,499	-	-
Accruals and deferred income	32,431	46,716	-	-
Provisions (see note 22)	18,743	15,697	-	-
	165,023	313,585	-	-

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

Amounts owed to group undertakings above represent balances owed to fellow AECOM entities that are wholly owned subsidiaries of the ultimate parent undertaking. Balances owed to associates and joint ventures are disclosed in note 29.

In addition to the Government's job retention scheme (as disclosed in note 5), the Group also took advantage of the Government's VAT deferral scheme during the prior year and deferred VAT payments due from April to June 2020 (to be paid on or before 31 March 2022). Amounts due after more than one year are presented in note 20 below. The amount was repaid in full before 1 October 2021.

Notes to the Financial Statements
At 1 October 2021 (continued)

19 Trade and other payables: amounts falling due within one year (continued)

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

For explanations on the Group's liquidity risk management processes, refer to note 30.

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

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

	Group		Company	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Lease liabilities (see note 21)	56,538	65,977	-	-
Amounts owed to group undertakings	64,051	51,633	64,051	51,633
Other taxes and social security costs	1,413	8,569	-	-
	122,002	126,179	64,051	51,633

Amounts owed to group undertakings are unsecured, are repayable on 30th September 2022 and bear interest based on 1 month LIBOR + 275bps. Subsequent to the year end the repayment date was extended to 1 January 2027.

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

Notes to the Financial Statements
At 1 October 2021 (continued)

21 Leases

Group leases included in creditors

	Computer equipment £ 000	Property £ 000	Motor vehicles £ 000	Total £ 000
At 3 October 2020	7,931	72,774	-	80,705
Interest	396	2,956	12	3,364
Additions	3,920	633	1,087	5,640
Disposals	-	(745)	-	(745)
Payments	(4,243)	(15,678)	(120)	(20,041)
At 1 October 2021	8,004	59,940	979	68,923
Of which:				
Current balance at 1 October 2021	3,239	8,844	302	12,385
Non current balance 1 October 2021	4,765	51,096	677	56,538

The Group expects to make lease payments of £24,347,000 (2020: £27,073,000) which fall due more than five years from the balance sheet date.

In the prior year the Group made computer equipment disposals of £1,969,000 (2021: nil) relating to the buy out of leases from the lessor. This was a cash outflow and therefore in the prior year was included in payments made in relation to finance leases in the Consolidated Statement of Cash Flows.

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.

The maturity profile of lease liabilities is disclosed in note 30.6.

Notes to the Financial Statements
At 1 October 2021 (continued)

21 Leases (continued)

Group lease income statement disclosure

	2021 £ 000	2020 £ 000
Depreciation charged in the year on right of use assets	15,491	14,943
Interest expense on lease liabilities	3,364	3,894
Expenses relating to short term leases (included in administrative expenses)	-	800
Expenses relating to leases of low-value assets (included in administrative expenses)	168	174
Variable lease payments (included in administrative expenses)	2,974	4,111
Sub lease income from right of use assets (included in administrative expenses)	-	(19)
Total amount recognised in total comprehensive income	21,997	23,903

The Group had total cash outflow for leases of £20,218,000 (2020: £19,562,000).

The low-value assets comprise properties such as storage facilities, IT equipment and small items of office furniture.

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

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

22 Provisions for liabilities

Group

	Claims £ 000	Former partners' annuities £ 000	Property costs £ 000	Other provisions £ 000	Total £ 000
2 October 2020:					
Current	10,376	26	2,680	2,615	15,697
Non-current	2,612	-	5,596	-	8,208
Total	12,988	26	8,276	2,615	23,905
Movements in the year:					
Arising during the year	59,989	-	1,108	-	61,097
Utilised in the year	(1,439)	(26)	(1,347)	(2,040)	(4,852)
Reversal of unused amounts	(779)	-	(1,337)	-	(2,116)
At 1 October 2021:					
Current	15,695	-	2,473	575	18,743
Non-current	55,064	-	4,227	-	59,291
Total	70,759	-	6,700	575	78,034

Claims

This amount represents a provision for claims brought against the Group (or potential claims notified to the Group) by customers or other parties.

Included within this balance is an amount provided in respect of potential remedial works for which the Directors in consultation with external lawyers consider the conditions for recognising a provision have been met at the balance sheet date. In order to arrive at a best estimate for the expected cash outflow, management in conjunction with the advice received from internal and external specialist teams have made assumptions with regard to the extent of the structural remediation required, the length of the remedial program and the level of disruption caused by the works. These assumptions are subject to uncertainty and the ultimate exposure to the Group will be dependent on various factors, resulting in a wide range of outcomes. Any changes in these assumptions would impact the quantum of the provision. Due to the existence of inter-company arrangements, any changes in the provision calculation would not impact the profit and loss account.

Some of the information required by paragraphs 84-89 of IAS 37 Provisions, Contingent Liabilities and Contingent Assets is not disclosed above on the grounds that such information is legally privileged. The exact timing of settlement for remaining claims is uncertain.

Notes to the Financial Statements
At 1 October 2021 (continued)

22 Provisions for liabilities (continued)

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

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

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

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

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

23 Authorised, issued and called up share capital

Group and Company

Allotted, called up and fully paid

	2021 No.	2021 £ 000	2020 No.	2020 £ 000
Ordinary shares of £1 each	2	-	2	-

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

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

24 Capital management

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

Notes to the Financial Statements
At 1 October 2021 (continued)

24 Capital management (continued)

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

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

25 Pensions

Defined benefit pension schemes

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

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

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

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

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

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

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

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

It is expected that the Group's total contributions for all schemes during the period to 30 September 2022 (including expenses) will be £17,974,000.

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

	2021 £ 000
AECOM Group Pension Scheme - Oscar Faber Section	707
AECOM Group Pension Scheme - Citrus Section	633
AECOM Group Pension Scheme - Bullen Section	211
AECOM Group Pension Scheme - Davis Langdon Section	637
AECOM Group Pension Scheme – Scott Wilson Section	13,591
Scott Wilson Pension Scheme (SWPS)	1,033
Railways Pension Scheme (RPS) - Scott Wilson Shared Cost Section	1,377
	18,189

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

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.

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 Group and the Trustees on advice from the independent Scheme Actuary.

Bullen members

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

Maunsell members

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

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.

Cirus members

The Citrus section of the Citrus Pension Plan was closed to new entrants and future accrual on 1 April 2010.

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

Davis Langdon Members

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

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

AECOM Group Pension Scheme - Oscar Faber Section

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

AECOM Group Pension Scheme – Scott Wilson Section

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

Pension contributions for the AECOM Group Pension Scheme – Scott Wilson Section are agreed between the Group and the Trustee of the AECOM Group Pension Schemes on advice from the independent Scheme Actuary.

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

Scott Wilson Pension Scheme (SWPS)

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

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

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

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

Other retirement benefit schemes - Gratuity fund and leave encashment fund

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

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

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

Asset information - all defined benefit schemes

	2021 Plans in net deficit £ 000	2021 Plans in net surplus £ 000	2021 Total £ 000	2020 Plans in net deficit Restated £ 000	2020 Plans in net surplus £ 000	2020 Total £ 000
Scheme assets at fair value						
Equities	278,927	30,336	309,263	170,647	24,434	195,081
Bonds and debt securities	335,647	151,234	486,881	323,808	156,959	480,767
Property (pooled fund)	14,270	-	14,270	13,237	-	13,237
Cash and cash equivalents	26,483	4,803	31,286	25,148	5,501	30,649
Other investment funds	65,316	3,639	68,955	149,258	9,955	159,213
Fair value of scheme assets	720,643	190,012	910,655	682,098	196,849	878,947
Present value of scheme liabilities	(912,964)	(155,750)	(1,068,714)	(920,823)	(164,863)	(1,085,686)
Defined benefit pension (deficit)/surplus	(192,321)	34,262	(158,059)	(238,725)	31,986	(206,739)

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

Recognised in the Consolidated Income Statement:

	2021 Plans in net deficit £ 000	2021 Plans in net surplus £ 000	2021 Total £ 000	2020 Plans in net deficit £ 000	2020 Plans in net surplus £ 000	2020 Total £ 000
Past service cost	261	12	273	-	-	-
Current service cost	341	-	341	362	-	362
Net interest on defined benefit liabilities	3,484	(450)	3,034	3,522	(327)	3,195
Administrative expenses paid	1,168	47	1,215	1,064	328	1,392
	5,254	(391)	4,863	4,948	1	4,949

Taken to the Consolidated Statement of Comprehensive Income:

	2021 Plans in net deficit £ 000	2021 Plans in net surplus £ 000	2021 Total £ 000	2020 Restated Plans in net deficit Restated £ 000	2020 Restated Plans in net surplus £ 000	2020 Restated Total £ 000
Return on plan assets (excluding amounts included in interest income (expense))	(43,111)	2,422	(40,689)	(525)	(26,509)	(27,034)
Actuarial (gains) and losses arising from experience adjustments	-	-	-	(17,597)	9,826	(7,771)
Actuarial (gains) and losses arising from changes in financial assumptions	11,522	(3,752)	7,770	41,114	6,211	47,325
Actuarial (gains) and losses arising from changes in demographic assumptions	(1,954)	(344)	(2,298)	13,695	(498)	13,197
	(33,543)	(1,674)	(35,217)	36,687	(10,970)	25,717

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

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

	Plans in net deficit £ 000	Plans in net surplus £ 000
Defined benefit obligation at 28 September 2019	920,338	128,008
Transfers in / movements for Scheme sections in deficit in prior year, now in surplus	(23,286)	23,286
Current service cost	264	-
Net interest on benefit obligation	14,995	2,444
Plan participants' contributions	133	-
Benefits paid	(28,757)	(4,414)
Actuarial gains / (losses) as restated	37,136	15,539
Defined benefit obligation at 2 October 2020 as restated	920,823	164,863
Past service cost	261	12
Current service cost	390	-
Net interest on benefit obligation	13,391	2,280
Plan participants' contributions	117	-
Benefits paid	(31,480)	(7,309)
Actuarial gains / (losses)	9,462	(4,096)
Defined benefit obligation at 1 October 2021	912,964	155,750

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

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

	Plans in net deficit £ 000	Plans in net surplus £ 000
Fair value of plan assets at 28 September 2019	701,014	149,554
Transfers in / movements for schemes in deficit in prior year, now in surplus	(21,805)	21,805
Interest income on plan assets	11,442	2,771
Contribution by employer	20,470	952
Contributions by employee	132	-
Administrative expenses	(1,035)	(328)
Benefits paid	(28,645)	(4,414)
Actuarial gains / (losses)	525	26,509
Fair value of plan assets at 2 October 2020	682,098	196,849
Interest income on plan assets	9,888	2,730
Contributions by employer	17,978	211
Contributions by employee	117	-
Administrative expenses	(1,142)	(47)
Benefits paid	(31,407)	(7,309)
Actuarial gains / (losses)	43,111	(2,422)
Fair value of plan assets at 1 October 2021	720,643	190,012

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

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

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

AECOM Group Pension Scheme – BM Section

Main assumptions	2021	2020
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.80%	N/A
Discount rate	1.99%	N/A
Rate of price increases (RPI)	3.39%	N/A
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.35%	N/A
Discount rate	1.63%	N/A
Rate of price increases (RPI)	2.91%	N/A
Current pensioners at 65 today	22.7 years	- years
Future pensioners at 65, aged 40 today	24.0 years	- years

AECOM Group Pension Scheme - Bullen Section

Main assumptions	2021	2020
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	2.80%
Rate of increase in pensions	N/A	3.50%
Discount rate	N/A	1.74%
Rate of price increases (RPI)	N/A	2.80%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	2.75%
Rate of increase in pensions	N/A	3.45%
Discount rate	N/A	1.82%
Rate of price increases (RPI)	N/A	2.75%
Current pensioners at 65 today	- years	22.5 years
Future pensioners at 65, aged 40 today	- years	24.0 years

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

AECOM Group Pension Scheme – Maunsell Section

Main assumptions	2021	2020
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	N/A	2.35%
Discount rate	N/A	1.63%
Rate of price increases (RPI)	N/A	2.91%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	N/A	2.15%
Discount rate	N/A	1.80%
Rate of price increases (RPI)	N/A	2.81%

Current pensioners at 65 today	- years	22.5 years
Future pensioners at 65, aged 40 today	- years	23.9 years

AECOM Group Pension Scheme - CDO Section

Main assumptions	2021	2020
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increases in pensions	3.20%	N/A
Discount rate	2.00%	N/A
Rate of price increases (RPI)	3.38%	N/A
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	2.35%	N/A
Rate of increases in pensions	2.75%	N/A
Discount rate	1.70%	N/A
Rate of price increases (RPI)	2.85%	N/A

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

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

AECOM Group Pension Scheme – Citrus Section

Main assumptions	2021	2020
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	N/A	2.75%
Discount rate	N/A	1.67%
Rate of price increases (RPI)	N/A	2.87%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	N/A	2.70%
Discount rate	N/A	1.82%
Rate of price increases (RPI)	N/A	2.77%

Current pensioners at 65 today	- years	22.5 years
Future pensioners at 65, aged 40 today	- years	23.9 years

AECOM Group Pension Scheme - Davis Langdon Section

Main assumptions	2021	2020
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	N/A	2.75%
Discount rate	N/A	1.63%
Rate of price increases (RPI)	N/A	2.90%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	N/A	2.70%
Discount rate	N/A	1.80%
Rate of price increases (RPI)	N/A	2.81%

Current pensioners at 65 today	- years	22.5 years
Future pensioners at 65, aged 40 today	- years	24.0 years

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

AECOM Group Pension Scheme - Oscar Faber Section

Main assumptions	2021	2020
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	2.35%
Rate of increase in pensions	N/A	2.75%
Discount rate	N/A	1.70%
Rate of price increases (RPI)	N/A	2.85%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	2.04%
Rate of increase in pensions	N/A	2.70%
Discount rate	N/A	1.83%
Rate of price increases (RPI)	N/A	2.74%

Current pensioners at 65 today	- years	22.5 years
Future pensioners at 65, aged 40 today	- years	23.9 years

AECOM Group Pension Scheme – Scott Wilson Section

Main assumptions	2021	2020
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	3.20%	2.75%
Discount rate	2.00%	1.69%
Rate of price increases (RPI)	3.35%	2.84%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.75%	2.70%
Discount rate	1.69%	1.83%
Rate of price increases (RPI)	2.84%	2.73%

Current pensioners at 65 today	22.7 years	22.5 years
Future pensioners at 65, aged 40 today	24.0 years	24.0 years

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

Scott Wilson Pension Scheme (SWPS)

Main assumptions	2021	2020
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	3.20%	2.75%
Discount rate	2.00%	1.69%
Rate of price increases (RPI)	3.35%	2.84%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	N/A	N/A
Rate of increase in pensions	2.75%	2.70%
Discount rate	1.69%	1.83%
Rate of price increases (RPI)	2.84%	2.73%
Current pensioners at 65 today	22.7 years	22.5 years
Future pensioners at 65, aged 40 today	24.0 years	24.0 years

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

Main assumptions	2021	2020
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	2.93%	2.36%
Rate of increase in pensions	2.93%	2.36%
Discount rate	1.97%	1.68%
Rate of price increases (RPI)	3.43%	2.86%
Weighted average assumptions to determine benefit cost:		
Rate of salary increases	2.36%	2.08%
Rate of increase in pensions	2.36%	2.08%
Discount rate	1.68%	1.82%
Rate of price increases (RPI)	2.86%	2.78%
Current pensioners at 65 today	22.1 years	22.5 years
Future pensioners at 65, aged 40 today	23.9 years	24.0 years

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

Other retirement benefit schemes -Gratuity fund

Main assumptions	**2021**	**2020**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	7.00%	7.00%
Withdrawal rate per annum	25.00%	25.00%
Discount rate	5.50%	5.75%
Mortality	N/A	N/A
Average future service	20.7 years	20.3 years
Weighted average duration	15.0 years	13.0 years

Other retirement benefit schemes - Leave encashment fund

Main assumptions	**2021**	**2020**
Weighted average assumptions to determine benefit obligations:		
Rate of salary increases	7.00%	7.00%
Rate of increase in pensions	25.00%	25.00%
Discount rate	5.50%	5.75%
Mortality	N/A	N/A
Average future service	20.7 years	20.3 years
Weighted average duration	16.0 years	15.0 years

Sensitivity analysis - all plans:

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

	2021 **£ 000**
Discount rate -25 basis points	(50,337)
Discount rate +25 basis points	47,179
Price inflation -25 basis points	23,992
Price inflation +25 basis points	(30,739)

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

Discount rate -25 basis points	17.5 years	-	19.2 years
Discount rate +25 basis points	17.3 years	-	18.8 years

Notes to the Financial Statements
At 1 October 2021 (continued)

25 Pensions (continued)

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

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

GMP

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

A second case was heard by the High Court in November 2020, regarding uncertainty on the treatment of historic transfer values prior to the 26 October 2018 judgement, and whether or not they need an uplift to be equalised for the impact of GMPs. The judgement ruled in favour of equalisation. Under IAS 19/ FRS 101, any additional liability is also immediately recognised in 2021 as a plan amendment. The additional liability for the Company was approximately £270,000 and this has been recognised in the Consolidated Income Statement during the year.

26 Share-based payments

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

Notes to the Financial Statements
At 1 October 2021 (continued)

26 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 are based upon the achievement of free cash flow and earnings per share targets of AECOM, established in the first quarter of each fiscal year. In accordance with IFRS2: Share based payments; awards are expensed from the grant date over the remaining vesting period on a straight line basis. PEP performance conditions are reviewed at the end year of each year within the vesting period to assess the likelihood of the various performance conditions being met. Awards granted to date have a nil exercise price and therefore, fair value is taken to be market value of the underlying shares at grant date. The weighted average fair value at grant date for PEPs and RSUs awarded during the year was £35.92 (2020: £32.11). All awards are settled in the form of equity.

Sharesave Plan

The AECOM UK Sharesave Plan 2011 (the "Plan") is available to all employees. Participants contribute regular monthly amounts over a 3 year option period. At the end of the 3 years, employees may exercise an option to purchase shares in AECOM at a pre-agreed option price. The option price is agreed at the start of the option period and provides a discount on the market value of the shares at the start of the option period (the grant date). Any savings not used to purchase shares may be withdrawn as cash. The value of the discount is expensed on a straight line basis from the grant date. The fair value at grant date was a range from £24.56 to £47.77.

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

	Number	WAEP £
Stock Incentive Plan		
Outstanding at 28 September 2019	206,211	-
Granted during the year	97,418	-
Forfeited during the year	(24,919)	-
Exercised during the year	(55,789)	-
Expired during the year	(72,830)	-
Outstanding at 2 October 2020	150,091	-
Granted during the year	64,365	-
Forfeited during the year	(16,487)	-
Exercised during the year	(57,257)	-
Expired during the year	1,093	-
Outstanding at 1 October 2021	141,805	-

The weighted average remaining contractual life for the share options outstanding at 1 October 2021 was 1.3 - 1.5 years (2020: 0.9 - 1.3 years).

Notes to the Financial Statements
At 1 October 2021 (continued)

26 Share-based payments (continued)

	Number	WAEP £
Sharesave Plan		
Outstanding at 28 September 2019	366,116	21.61 - 22.85
Granted during the year	371,258	22.36
Forfeited during the year	(38,744)	-
Exercised during the year	(87,328)	21.91
Expired during the year	-	-
Outstanding at 2 October 2020	611,302	21.61 - 22.85
Granted during the year	106,099	42.04
Forfeited during the year	(71,203)	-
Exercised during the year	(109,100)	21.91
Expired during the year	-	-
Outstanding at 1 October 2021	537,098	21.61 - 42.04

The weighted average remaining contractual life for the share options outstanding at 1 October 2021 was 1.7 years (2020: 2.1 - 2.2 years).

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

27 Contingent liabilities and capital commitments

Group

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

Claims

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

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

Notes to the Financial Statements
At 1 October 2021 (continued)

27 Contingent liabilities and capital commitments (continued)

The Directors consider that any probable liabilities are suitably provided for (see note 22).

Capital Commitments

Other than finance leases as disclosed in note 21 and pension deficit obligations as disclosed in note 25 the Group and Company do not have any capital commitments as at 1 October 2021.

28 Reconciliation of profit / (loss) before tax to cash flow from operating activities

	Group		Company	
	2021 £ 000	2020 £ 000	2021 £ 000	2020 £ 000
Profit/(Loss) before tax	15,495	(5,318)	(51,901)	(1,633)
Net interest expense and other finance costs	8,807	3,723	1,418	1,633
Depreciation of property, plant and equipment	5,516	5,278	-	-
Depreciation of right of use assets	15,491	14,943	-	-
Impairment (reversal) / charge on right of use assets	(334)	2,984	-	-
Amortisation of intangible assets	13,581	12,443	-	-
Impairment of investment in subsidiaries	-	-	50,483	-
(Increase)/decrease in debtors (including contract assets)	(4,345)	279,432	-	-
Decrease in inventory	-	552	-	-
(Decrease)/increase in creditors (including contract liabilities)	(84,590)	(263,803)	1,418	1,633
Increase in provisions	54,127	11,384	-	-
Loss/(profit) on disposal of property, plant and equipment	34	(32)	-	-
Loss on disposal of right of use assets	-	34	-	-
Gain on early termination of leases	(192)	-	-	-
Difference between pension charge and cash contributions	(16,608)	(19,740)	-	-
Share of loss/(profit) of joint ventures	10	(117)	-	-
Non-cash and other movements	(4,713)	604	(1,418)	(1,633)
Net cash inflow from operating activities before tax	2,279	42,367	-	-

Notes to the Financial Statements
At 1 October 2021 (continued)

29 Related party transactions

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

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

	Amounts owed by related parties 1 October 2021 £ 000	Amounts owed to related parties 1 October 2021 £ 000	Amounts owed by related parties 2 October 2020 £ 000	Amounts owed to related parties 2 October 2020 £ 000
Related AECOM Undertakings				
Fellow AECOM group undertakings	205,053	-	218,807	(34,030)
Joint Ventures				
Conway AECOM Limited	426	-	741	-
Perfect Circle JV Limited	3,237	-	6,833	-
Transcend Partners Limited	49	-	-	-
	208,765	-	226,381	(34,030)

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

	1 October 2021 £ 000	2 October 2020 £ 000
Income		
Sales to other AECOM group undertakings	79,432	70,914
Net interest (paid to)/ received from on loans to/ from other AECOM group	(1,730)	3,351
Expenses		
Purchases from other AECOM group undertakings	(52,198)	(31,354)
Cost allocations and recharges to/ from other AECOM group undertakings	(30,865)	(43,509)

Related party transactions for the Company have been disclosed in notes 20 and 23.

Key management personnel

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

Notes to the Financial Statements
At 1 October 2021 (continued)

29 Related party transactions (continued)

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

	2021 £ 000	2020 £ 000
Short-term employee benefits	1,615	1,913
Post-employment pension and medical benefits	33	59
Termination benefits	79	137
Share-based payment transactions	121	215
	1,848	2,324

	2021 No.	2020 No.
Number of key management personnel who received shares in respect of qualifying services	3	6
Number of key management personnel accruing benefits under money purchase schemes	6	6

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

	2021 £ 000	2020 £ 000
Remuneration	334	459
Group contributions to money purchase pension schemes	-	10

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

The remuneration detailed above includes the total remuneration of all key management personnel during the year. One of the Directors is employed and paid by an entity that is not part of the Group.

The Directors provide services not only to the 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 Group and their services provided to other AECOM entities.

During the year, the Group paid amounts of £79,000 (2020: £137,000) in respect of aggregate compensation relating to members of key management personnel in respect of their retirement from office.

Notes to the Financial Statements
At 1 October 2021 (continued)

29 Related party transactions (continued)

The amounts owing to key management personnel as at 1 October 2021 included in trade and other payables: amounts falling due within one year, were:

	2021 £ 000	2020 £ 000
Short-term employee benefits	697	477
Post-employment pension and medical benefits	33	4
Share-based payment transactions	121	215
	851	696

Directors interests in stock incentive and share save plans

Share options held by key management personnel have the following expiry dates and exercise prices. For further details of the plans refer to note 26.

Date of grant	Vesting date	Exercise price	2021 Number outstanding	2020 Number outstanding
Stock Incentive Plan				
December 2017	December 2020	£nil	-	2,170
December 2018	December 2021	£nil	2,412	3,503
December 2019	December 2022	£nil	2,094	2,907
December 2020	December 2023	£nil	6,270	-
			10,776	8,580

Date of grant	Vesting date	Exercise price	2021 Number outstanding	2020 Number outstanding
Sharesave Plan				
July 2019	July 2022	£22.85	551	551
July 2020	July 2023	£22.36	765	765
July 2021	July 2024	£42.04	428	-
			1,744	1,316

Other related party transactions

A subsidiary within the Group, AECOM Environmental Solutions Limited, has also entered into a number of agreements with other group undertakings to share and cap the losses recognised in relation to one problematic construction contract. Receivables of £1,342,000 (2020: £491,000) have been included within debtors - amounts owed by group undertakings in respect of amounts outstanding in this regard as at 1 October 2021.

Terms and conditions with related parties

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

30 Financial instruments

Group

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

• Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

• Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers between Levels during the period.

Financial instrument risk management objectives and policies

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

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

(a) Market risk

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

Notes to the Financial Statements
At 1 October 2021 (continued)

30 Financial instruments (continued)

(b) Interest rate risk

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

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

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

		Group		Company	
	Increase/ (decrease) in basis points	Increase or (decrease) in pre- tax equity as at 1 October 2021 £ 000	Increase or (decrease) in pre- tax equity as at 2 October 2020 £ 000	Increase or (decrease) in pre- tax equity as at 1 October 2021 £ 000	Increase or (decrease) in pre- tax equity as at 2 October 2020 £ 000
GBP	+ 2 %	2,418	3,898	(1,074)	(1,016)
GBP	- 2 %	(2,418)	(3,898)	1,074	1,016

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

(c) Foreign currency risk

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

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

(d) Other price risk

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

Notes to the Financial Statements
At 1 October 2021 (continued)

30 Financial instruments (continued)

(e) Credit risk

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

Trade receivables and contract assets

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

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

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

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

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

The aging profile of the Group's trade receivables as at the Consolidated Statement of Financial Position date is provided below:

	Up to 3 months £ 000	3 to 12 months £ 000	1 to 5 years £ 000	Over 5 years £ 000	TOTAL
1 October 2021	55,777	5,096	4,119	691	65,683
2 October 2020	61,816	3,468	3,495	-	68,779

30 Financial instruments (continued)

(e) Credit risk (continued)

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

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

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

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

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

The Group's maximum exposure to credit risk at the reporting date is the carrying value of cash and cash equivalents as disclosed within the Consolidated Statement of Financial Position. Whilst cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the Group considers any potential impairment loss to be immaterial.

The table below provides information regarding the credit risk exposure of the Group's cash and cash equivalents as at the Consolidated Statement of Financial Position date:

	2021 **£ 000**	**2020** **£ 000**
Banks with a credit rating of A+ or above	13,724	27,070
Banks with a credit rating below A+	914	1,080
	14,638	28,150

Notes to the Financial Statements
At 1 October 2021 (continued)

30 Financial instruments (continued)

(f) Liquidity risk

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

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

The maturity profile of the Group's financial liabilities based on contractual undiscounted payments is analysed below. Note that certain amounts included in amounts payable in notes 19 and 20 which strictly do not meet the definition of financial liabilities in accordance with IFRS 9 have not been included in the table below.

Group:

	On demand £ 000	Up to 3 months £ 000	3 to 12 months £ 000	1 to 5 years £ 000	Over 5 years £ 000	TOTAL
As at 1 October 2021:						
Financial liabilities excluding lease liabilities, due in under 1 year	11,781	52,143	2,899	-	-	66,823
Lease liabilities, due in under 1 year	-	2,714	9,671	-	-	12,385
Financial liabilities excluding lease liabilities, due in over 1 year	-	-	-	65,463	-	65,463
Lease liabilities, due in over 1 year	-	-	-	32,191	24,347	56,538
	11,781	54,857	12,570	97,654	24,347	201,209

Notes to the Financial Statements
At 1 October 2021 (continued)

30 Financial instruments (continued)

(f) Liquidity risk (continued)

	On demand £ 000	Up to 3 months £ 000	3 to 12 months £ 000	1 to 5 years £ 000	Over 5 years £ 000	TOTAL
As at 2 October 2020:						
Financial liabilities excluding lease liabilities, due in under 1 year	123,794	70,815	18,711	-	-	213,320
Lease liabilities, due in under 1 year	-	6,027	8,701	-	-	14,728
Financial liabilities excluding lease liabilities, due in over 1 year	-	-	-	60,203	-	60,203
Lease liabilities, due in over 1 year	-	-	-	38,904	27,073	65,977
	123,794	76,842	27,412	99,107	27,073	354,228

Company:

	On demand £ 000	Up to 3 months £ 000	3 to 12 months £ 000	1 to 5 years £ 000	Over 5 years £ 000	TOTAL
As at 1 October 2021:						
Financial liabilities due in under 1 year	-	-	-	-	-	-
Financial liabilities due in over 1 year	-	-	-	64,051	-	64,051
	-	-	-	64,051	-	64,051

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

The Company did not have any lease liabilities at 1 October 2021 (2020: £nil).