

Registered number: 01846493

# **AECOM Limited**

**Report and Financial Statements**

**1 October 2021**

# AECOM Limited

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## Company Information

**Directors** AN Jones  
AR Barker  
MA Southwell  
RS Whitehead  
PS Ribeiro-Carvalho-Vieira  
CD Wood  
CN Edwards

**Secretary** BM Taiwo

**Auditor** Ernst & Young LLP  
1 More London Place  
London  
United Kingdom  
SE1 2AF

**Registered office** Aldgate Tower  
2 Lemn Street  
London  
United Kingdom  
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 Company's principal activity during the year continued to be that of providing design and consultancy services to our UK customers.

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

	<i>2021</i>	<i>2020</i>	
	<i>£ 000</i>	<i>£ 000</i>	<i>Change</i>
Turnover / Gross service revenue	450,173	481,062	(6)%
Net service revenue	297,073	307,499	(3)%
EBITA	28,742	7,684	274%
Turnover per technical staff member	132	133	(1)%
	<i>No.</i>	<i>No.</i>	
Average number of employees	3,779	4,076	(7)%
Days sales outstanding	45	50	(10)%

The Company's turnover reduced in 2021 as the Company focused on consolidating its position whilst maximising bottom line profitability. EBITA increased significantly year on year as a result of the Company having incurred one off expenditure in the prior period in relation to restructuring the business, exiting non- core businesses and to streamline the business to better place itself for future opportunities that may arise.

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

Within total comprehensive income for the year are actuarial gains of £21,225,000 (2020: losses of £1,569,000). 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 Company at the year end. The key movement in the financial assumptions affecting the year-end result is the increase in discount rates to a range of 1.99%-2.00%. This increase is due to macro-economic conditions which have increased the discount rates from previously lower levels.

### Principal risks and uncertainties

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

## **Strategic Report (continued)** **For the Year Ended 1 October 2021**

### **Principal risks and uncertainties (continued)**

- **Liquidity risk**

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

- **Credit risk**

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

- **Competitive and market risk**

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

- **Performance/delivery risk**

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

- **Defined benefit pension exposure risk**

The Company operates one funded defined benefit pension scheme, which is a sectionalised scheme containing two sections. The financial liabilities associated with the Company's legacy pension obligations are largely related to the assets held in the scheme, net of the change in the value of the scheme's liabilities. The risks and uncertainties associated with the latter are typically related to changes in the long-term outlook for interest rates, inflation and life expectancy. Changes in these financial metrics are not within the control of the Company. The size of the obligations could also be adversely influenced by regulatory or legislative changes. The Company constructively engages with the trustees of the pension schemes to ensure that the assets and liabilities of the schemes are managed in a way which seeks to reduce the likelihood of unexpected cost to the Company. For example, during the current year the number of sections in the scheme was reduced from five to two, by merging existing sections.

## **Strategic Report (continued)** **For the Year Ended 1 October 2021**

### **Principal risks and uncertainties (continued)**

- **Climate change risk**

Climate change risk is the risk of disruption to the business due to increased severity and frequency of extreme weather events, such as rising temperatures or flooding. Climate change risk is a strategic consideration for AECOM globally, and a key aspect of AECOM's Sustainable Legacies Strategy. In managing this risk, it is mandatory for all UK and Ireland offices to have resilience plans in place. The plans are subject to regular reviews to ensure any new and shifting climate risks are addressed. 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.

For further information on the Company's climate reporting and climate change risks, please see the consolidated financial statements of AECOM Design & Consulting Services UK Limited.

- **Other risks**

Whilst COVID-19 has introduced increased risk to all areas of the Company in both 2020 and 2021, the actions taken by the Company in response to the pandemic as detailed on pages 6 and 7 of these financial statements demonstrate how the Company has managed the impact of COVID-19 to date. The Company will continue to monitor the impact of COVID-19 on project delivery and financial performance as we head into 2022.

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

The Company is monitoring the ongoing conflict between Russia and Ukraine and any potential impact that it might have on the results of the Company. There is not expected to be a material impact on the Company in 2022 and therefore the Company does not consider this to be a significant risk and uncertainty facing 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 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.

**Strategic Report (continued)**  
**For the Year Ended 1 October 2021**

**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 Company.

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

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

**Clients**

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

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

## **Strategic Report (continued)** **For the Year Ended 1 October 2021**

### **Section 172 statement (continued)**

#### **Clients (continued)**

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

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

#### **Government**

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

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

The most significant matters raised relevant to our engagement with the Government were through projects such as our work on the Ministry of Defence's defence estate (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 environment**

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

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

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

## **Strategic Report (continued)** **For the Year Ended 1 October 2021**

### **Section 172 statement (continued)**

#### **Pension trustees**

The Trustees are responsible for ensuring that our pension scheme is run properly, and that members' benefits are secure. The defined benefit pension scheme of the Company represents a material obligation on the balance sheet of the Company.

It is critical that we engage with the 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 scheme, 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**

This 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 Company managed the impact on its project delivery and did not experience any material project cancellations.

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



.....  
AR Barker  
Director  
30 June 2022



## **Directors' Report**

**For the year ended 1 October 2021**

**Registered No: 01846493**

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

### **Results and dividends**

The profit for the year after taxation amounted to £24,386,000 (2020: profit of £6,878,000). The Directors do not recommend the payment of a dividend (2020: £nil).

### **Principal activity**

The Company is a subsidiary of AECOM. AECOM is a leading global provider of professional infrastructure consulting services for governments, businesses and organizations throughout the world. We provide 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 continued to be that of providing design and consultancy services to our customers.

The Company operates branches in Greece and Bulgaria, whose results are included in those of the Company.

### **Financial instruments**

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

### **Future developments**

In 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 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 Company continues to operate as a going concern.

### **Directors of the company**

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

AN Jones

CR McCall (resigned 30 October 2020)

AR Barker

MA Southwell

RS Whitehead

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

CD Wood (appointed 22 February 2021)

CN Edwards (appointed 8 April 2021)

## **Directors' Report (continued)**

**For the year ended 1 October 2021**

### **Directors of the company (continued)**

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 Company has net current assets of £131,735,000 and net assets of £190,928,000. In supporting the going concern assessment of twelve months from the date of approval of the Company's financial statements and up to June 30, 2023, the Board has assessed whether 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 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 Company's financial statements.

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

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

### **Streamlined energy and carbon reporting**

As per the UK Government's Streamlined Energy and Carbon Reporting (SECR) guidelines, the Company is exempt from reporting requirements under the SECR guidelines as its carbon reporting disclosures are included in those for the AECOM UK Group within the consolidated financial statements of AECOM Design & Consulting Services UK Limited.

### **Corporate governance**

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

The Principles fall under the requirements of the Companies Miscellaneous Reporting Regulations 2018. The Company applied the Principles during its year ended 1 October 2021, demonstrating its compliance with the 6 broad principles as follows:

#### ***1. Purpose and leadership***

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

## **Directors' Report (continued)** **For the year ended 1 October 2021**

### **Corporate governance (continued)**

#### ***2. Board composition***

The Board comprises 7 appropriately qualified and knowledgeable individuals. The Board recognises the need to rebalance and increase its gender diversity, and it is actively pursuing opportunities internally to do this. There were changes within the Board during the year which resulted in the appointment of new directors with similar skills and experiences to the outgoing directors.

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

#### ***3. Director responsibilities***

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

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

#### ***4. Opportunity and risk***

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

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

#### ***5. Remuneration***

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

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

#### ***6. Stakeholder relationships and engagement***

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

**Directors' Report (continued)**

**For the year ended 1 October 2021**

**Disabled employees**

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

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

**Employee involvement**

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

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

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

**Disclosure of information to the auditor**

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

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

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

On behalf of the Board



.....  
AR Barker  
Director

30 June 2022

## **Statement of Directors' Responsibilities**

**For the year ended 1 October 2021**

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

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

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

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

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

## **Independent Auditor's Report to the Member of AECOM Limited**

### **Opinion**

We have audited the financial statements of AECOM Limited (the 'Company') for the year ended 1 October 2021, which comprise the Profit and Loss Account, the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 1 October 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

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

- We confirmed our understanding of the process followed by management to prepare the Company's going concern assessment process, including assessing the ongoing impact of the Covid-19 pandemic;
- We obtained management's going concern assessment, including the cashflow forecast for the going concern period to 30 June 2023;
- We identified and challenged the key assumptions underlying managements forecasts and models, such as the revenue growth rate and gross margin growth rate, by checking to corroborative evidence such as pipeline and the backlog on new contracts. We also searched for contrary evidence to challenge the assumptions;
- We performed our own sensitivity analysis on the forecast in addition to sensitivity analysis performed by management;
- We have performed reverse stress testing on the forecast prepared by management;
- We checked the logic and arithmetical accuracy of the models developed by management;
- We assessed the accuracy of management forecasting by comparing forecasts made in prior period to actual outcomes;
- We assessed the accuracy and appropriateness of management's disclosure in the Directors' Report and the Going Concern basis of preparation note;

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

### **Conclusions relating to going concern (continued)**

- We obtained and evaluated management's going concern assessment, which details the current financial position, the expected reliance on the ultimate parent company for financial support as well as management's assessment of the ability of the ultimate parent company to provide that support should it be required;
- Given the Company's reliance on financial support from its ultimate parent undertaking, we obtained and inspected the letter of support from the ultimate parent;
- In order to corroborate management's conclusion that the ultimate parent undertaking could provide the support as pledged, should it be required, we obtained the going concern assessment performed by the parent company auditors for the period of twelve months from their reporting date to 30 September 2022, which was prepared as part of the 10-K reporting as at 30 September 2021. We have also considered the most recent financial position of the ultimate parent, AECOM, for the quarter ended 31 March 2022, once again, for the purpose of assessing the parent's ability to provide any support required by the UK statutory entities. We further performed update procedures and made inquiries with parent company auditors to cover going concern assessment period to twelve months from the date of approval of the financial statements;
- Our procedures included requesting additional information, such as assessment of covenants compliance, or maturity of debts during the Going Concern period, from parent company's auditors to assist us in concluding the reasonableness of the ability of the ultimate parent undertaking to provide support should it be required;
- We have also obtained debt covenants schedule from parent company auditors and noted credit facilities available to the Group; and
- We assessed the completeness and appropriateness of the going concern disclosures in the financial statements.

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

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

### **Other information**

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

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

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

We have nothing to report in this regard.

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

### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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

### **Responsibilities of Directors**

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

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

### **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.



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

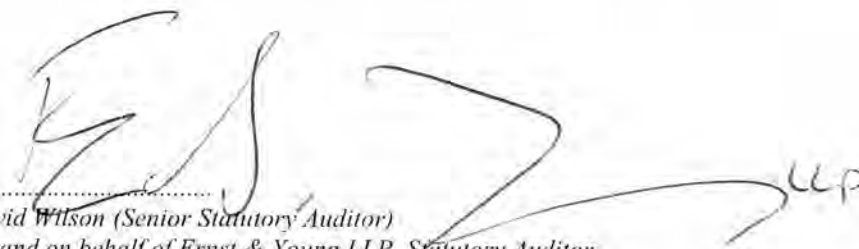
Our approach was as follows:

- 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, if any, 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, senior management and where applicable, those charged with governance and obtaining written representation 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.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

Date: 30 June 2022

# AECOM Limited

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## Profit and Loss Account For the year ended 1 October 2021

	Notes	2021 £ 000	2020 £ 000
<i>Turnover</i>	4	450,173	481,062
Cost of sales		<u>(318,824)</u>	<u>(338,438)</u>
<i>Gross profit</i>		131,349	142,624
Administrative expenses		<u>(107,974)</u>	<u>(141,178)</u>
Other operating income	5	<u>306</u>	<u>2,863</u>
<i>Operating profit</i>	6	23,681	4,309
Share of profit of joint venture	15	1,457	1,604
Interest receivable and similar income	9	1,183	6,004
Interest payable and similar charges	10	(5,541)	(5,604)
Other finance cost - pensions	22	<u>(142)</u>	<u>(300)</u>
<i>Profit on ordinary activities before taxation</i>		20,638	6,013
Tax income on profit on ordinary activities	11	<u>3,748</u>	<u>865</u>
<i>Profit for the financial year</i>		<u>24,386</u>	<u>6,878</u>

All amounts relate to continuing operations.

**Statement of Comprehensive Income**  
**For the year ended 1 October 2021**

	Notes	2021 £ 000	2020 £ 000
<i>Profit for the financial year</i>		<u>24,386</u>	<u>6,878</u>
<b>Other Comprehensive Income</b>			
<i>Other comprehensive income that may be reclassified to the profit and loss account in subsequent periods (net of tax):</i>			
Exchange gain on translation of branch balances		<u>1,262</u>	<u>886</u>
<b>Net other comprehensive income that may be reclassified to the profit and loss account in subsequent periods</b>		<u>1,262</u>	<u>886</u>
<i>Other comprehensive income that will not be reclassified to the profit and loss account in subsequent periods (net of tax):</i>			
Actuarial gain/(loss) on defined benefit pension schemes	22	21,225	(1,569)
Tax (expense)/income on items relating to components of other comprehensive income	11	<u>(4,704)</u>	<u>744</u>
<b>Net other comprehensive income that will not be reclassified to the profit and loss account in subsequent periods</b>		<u>16,521</u>	<u>(825)</u>
<b>Other Comprehensive Income, net of tax</b>		<u>17,783</u>	<u>61</u>
<b>Total Comprehensive Income for the year</b>		<u><u>42,169</u></u>	<u><u>6,939</u></u>

**Statement of Changes in Equity  
For the year ended 1 October 2021**

	Share capital £ 000	Share premium £ 000	Currency translation reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 28 September 2019	17,525	84,575	(1,177)	39,657	140,580
Profit for the year	-	-	-	6,878	6,878
Other comprehensive income	-	-	886	(825)	61
Deferred tax effect of share based payments	-	-	-	210	210
At 2 October 2020	<u>17,525</u>	<u>84,575</u>	<u>(291)</u>	<u>45,920</u>	<u>147,729</u>

	Share capital £ 000	Share premium £ 000	Currency translation reserve £ 000	Retained earnings £ 000	Total equity £ 000
At 3 October 2020	17,525	84,575	(291)	45,920	147,729
Profit for the year	-	-	-	24,386	24,386
Other comprehensive income	-	-	1,262	16,521	17,783
Deferred tax effect of share based payments	-	-	-	1,030	1,030
At 1 October 2021	<u>17,525</u>	<u>84,575</u>	<u>971</u>	<u>87,857</u>	<u>190,928</u>

# AECOM Limited

## Balance Sheet At 1 October 2021

	Notes	1 October 2021 £ 000	2 October 2020 £ 000
<b>Fixed assets</b>			
Intangible assets	12	54,674	57,436
Property, plant and equipment	13	14,205	15,513
Right of use assets	14	57,873	65,475
Investments	15	3,079	3,047
Defined benefit pension plan surplus	22	34,262	31,986
		<u>164,093</u>	<u>173,457</u>
<b>Current assets</b>			
Debtors	16	317,857	342,611
Cash at bank and in hand		4,452	4,137
		<u>322,309</u>	<u>346,748</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(190,574)</u>	<u>(234,154)</u>
<b>Net current assets</b>		<u>131,735</u>	<u>112,594</u>
<b>Total assets less current liabilities</b>		<u>295,828</u>	<u>286,051</u>
<b>Creditors: amounts falling due after more than one year</b>	18	<u>(56,265)</u>	<u>(71,772)</u>
Provisions for liabilities	20	(22,451)	(20,067)
Defined benefit pension plan deficit	22	(26,184)	(46,483)
<b>Net assets</b>		<u>190,928</u>	<u>147,729</u>
<b>Capital and reserves</b>			
Share capital	21	17,525	17,525
Share premium account		84,575	84,575
Retained earnings		87,857	45,920
Currency translation reserve		971	(291)
<b>Total equity</b>		<u>190,928</u>	<u>147,729</u>

The notes on pages 23 to 83 form an integral part of these financial statements.  
Page 20

**Balance Sheet**  
**At 1 October 2021 (continued)**

These financial statements were approved by the Board on 30 June 2022 and signed on its behalf by:



.....  
AR Barker

Director

**Statement of Cash Flows**  
**For the year ended 1 October 2021**

	Note	2021 £ 000	2020 £ 000
<i>Cash flows from operating activities</i>			
Cash generated from operations	24	22,016	25,114
Taxation paid		<u>(286)</u>	<u>(361)</u>
Net cash from operating activities		21,730	24,753
<i>Cash flows from investing activities</i>			
Interest received		-	2
Dividends received from subsidiaries		733	740
Purchase of property, plant and equipment		(3,453)	(7,889)
Purchase of intangible fixed assets		<u>(109)</u>	<u>(154)</u>
Net cash used in investing activities		(2,829)	(7,301)
<i>Cash flows from financing activities</i>			
Interest paid		(487)	(28)
Repayments of interest and principal portion of lease liabilities		<u>(18,099)</u>	<u>(16,416)</u>
Net cash used in financing activities		(18,586)	(16,444)
<i>Net increase in cash and cash equivalents</i>		<u>315</u>	<u>1,008</u>
Cash and cash equivalents at the beginning of the year		<u>4,137</u>	<u>3,129</u>
Cash and cash equivalents at the end of the year		<u>4,452</u>	<u>4,137</u>

Within the reported cash balance there is £521,000 (2020: £589,000) of restricted cash.

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

## Notes to the Financial Statements At 1 October 2021

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

The financial statements of AECOM Limited (the Company) for the year ended 1 October 2021 were authorised for issue by the Board on 30 June 2022 and the balance sheet was signed on the Board's behalf by AR Barker. The Company is incorporated and domiciled in England and Wales.

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

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

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

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

The results of the Company are included in the consolidated financial statements of AECOM which are available from 13355 Noel Road, Suite 400, Dallas, Texas, 75240, United States of America. This is the largest group of which the Company is a member and for which consolidated financial statements are prepared. The results of the Company are also included in the consolidated financial statements of AECOM Design & Consulting Services UK Limited which are available from Aldgate Tower, 2 Leaman Street, London, E1 8FA, United Kingdom. This is the smallest group of which the Company is a member and for which consolidated financial statements are prepared.

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

### 2 Judgements and key sources of estimation uncertainty

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

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



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

**2 Judgements and key sources of estimation uncertainty (continued)**

**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.

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

If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).

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

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

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

**(b) Revenue recognition**

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

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

**2 Judgements and key sources of estimation uncertainty (continued)**

**2.2 Estimates**

**(a) Lease accounting**

**Discounting future lease payments**

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

The Company's incremental borrowing rates range between 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) Investments and goodwill**

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

Where indications of impairment exist regarding the carrying value of investments in subsidiaries and at the end of each reporting period for the carrying value of goodwill, the carrying value of goodwill and certain investments is assessed using models used to calculate the enterprise value of the underlying businesses (where applicable). These models have a range of inputs including revenue growth and discount rates which are subject to significant uncertainty. Further details are given in note 12.

**(c) Revenue recognition**

The percentage of completion method and the determination of revenues to recognise on claims and variations to contracts are reliant on estimates, in particular in respect of future expected costs and revenues. The Company reviews the appropriateness of assumptions made on a regular basis.

**(d) Pension benefits**

The carrying values of liabilities associated with defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 22.

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

**3 Significant accounting policies**

**3.1 Basis of preparation**

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

The accounts have been prepared on a going concern basis (see note 3.4 for further details).

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

**3.2 Summary of disclosure exemptions**

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

- i. The requirements of paragraphs 45 (b) and 46-52 of IFRS 2 Share Based Payments because the share based payment arrangements concern the instruments of AECOM;
- ii. The requirements of IFRS 7 Financial Instruments: Disclosures;
- iii. The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- iv. The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
- v. The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

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

**3 Significant accounting policies (continued)**

**3.2 Summary of disclosure exemptions (continued)**

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

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

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

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

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

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

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

**3.3 New standards, amendments and IFRIC interpretations**

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

**3.4 Going concern**

The Company has net current assets of £131,735,000 and net assets of £190,928,000. In supporting the going concern assessment, the Board has assessed whether 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 Company's financial statements and up to June 30, 2023.

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

**3 Significant accounting policies (continued)**

**3.4 Going concern (continued)**

When performing the going concern assessment, the Board have considered the ongoing impact of COVID-19 and any general uncertainty due to current UK inflationary pressures that may have an impact on the Company's business operations and future prospects, however, to date the Company has not experienced any adverse trading conditions.

As a result the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Board has obtained a written confirmation of financial support from its ultimate parent undertaking, that it will assist 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 Company's financial statements. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

**3.5 Turnover and contracts**

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

Recognition of revenue and profit is dependent upon a number of factors, including the accuracy of a variety of estimates made at the balance sheet date (e.g. engineering progress, material quantities, the achievement of milestones, penalty provisions, labour productivity and cost estimates). Ultimately, the Company recognises revenue on a 5 step model, when performance obligations have been satisfied, over time. Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the standalone selling prices. Where these are not directly observable, they are based on expected cost plus margin.

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

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

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

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

**3 Significant accounting policies (continued)**

**3.5 Turnover and contracts (continued)**

**(a) Fixed price contracts**

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

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

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

**(b) Cost reimbursable contracts**

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

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

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

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

**3 Significant accounting policies (continued)**

**3.5 Turnover and contracts (continued)**

**Contract combinations**

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

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

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

**Contract modifications**

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

**Contract assets and liabilities**

Where turnover, on a contract by contract basis, exceeds amounts invoiced or where goods or services are transferred to the customer before the customer pays consideration (or before payment is due), the excess is classified as contract assets and included in debtors (contract asset). Where amounts invoiced, on a contract by contract basis, exceed turnover or where the Company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration, the excess is classified as contract liabilities and included in creditors.

**3.6 Other income and expenses**

**(a) Interest receivable and payable**

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

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

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

**3 Significant accounting policies (continued)**

**3.6 Other income and expenses (continued)**

**(b) Dividend income**

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

**3.7 Government grants**

Government grants are recognised 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.

**3.8 Intangible assets**

**(a) Goodwill**

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

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

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over its estimated useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment at the end of each reporting period. The Company is therefore invoking a "true and fair view override" to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The profit for the current and prior year would have been £3,014,000 lower had goodwill been amortised.



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

**3 Significant accounting policies (continued)**

**3.8 Intangible assets (continued)**

**(b) Other intangible assets**

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

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

Backlog - 5 years

Customer relationships - 5 - 10 years

Software and licenses - 3 -15 years

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

**(c) Research and development costs**

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

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

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

**3 Significant accounting policies (continued)**

**3.9 Property, plant and equipment**

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

Furniture and equipment - 7-10 years

Computer equipment - 4-5 years

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

Motor Vehicles - 5 years

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required, these are made prospectively. Useful lives were reviewed and amended in June 2021. The impact on the profit and loss account 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.

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

**3 Significant accounting policies (continued)**

**3.10 Investments**

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

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

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

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

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

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

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

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

The Company recognises its interests in joint operations by reflecting its line by line relevant share of revenue, expenses, assets and liabilities of the joint operation.

**3.11 Impairment of financial assets**

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. Refer to note 3.19.

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

**3 Significant accounting policies (continued)**

**3.12 Impairment of non-financial assets**

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

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

**3.13 Income taxes**

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

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

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

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

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

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

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

**3 Significant accounting policies (continued)**

**3.14 Foreign currencies**

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

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

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

**3.15 Leases**

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Similarly, leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. For operating leases, except for the leases which qualify for short term lease exemptions, the rental charge in the profit 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 Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. For leases with the exception of real estate (real estate being the major leasing activity of the Company), it has elected not to separate lease and non-lease components and instead the Company accounts for these as a single lease component.

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

**3 Significant accounting policies (continued)**

**3.15 Leases (continued)**

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

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

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

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

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

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

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

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

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

Lease income from operating leases where the Company is a lessor, net of any incentives granted, is recognised as income in the profit and loss account on a straight-line basis over the period of the sublease term.

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

**3 Significant accounting policies (continued)**

**3.16 Pensions**

The Company operates one defined benefit pension scheme, which has two sections, both of which require contributions to be made to separately administered funds. The sections have all been closed to new members for several years. At the close of each section, membership of a defined contribution plan was offered to those affected.

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

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

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

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

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

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

**3 Significant accounting policies (continued)**

**3.17 Equity settled share-based payments**

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

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

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

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

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

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

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



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

**3 Significant accounting policies (continued)**

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

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

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

**3.19 Financial instruments**

**(a) Financial assets**

***Recognition and measurement***

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

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

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

***Derecognition***

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the asset expire;
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the asset are transferred; or
- the Company neither retains nor transfers substantially all of the risks and rewards of ownership and it does not retain control of the asset.

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

**3 Significant accounting policies (continued)**

**3.19 Financial instruments (continued)**

**(b) Financial liabilities**

***Recognition and measurement***

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

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

***Derecognition***

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

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

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

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

**3.20 Provisions for liabilities**

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

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

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

**3 Significant accounting policies (continued)**

**3.21 Cash and cash equivalents**

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

**4 Turnover**

Turnover recognised in the profit and loss account, net of value added tax, for both 2021 and 2020, relates entirely to the rendering of services.

An analysis of turnover by geographical market is given below:

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
United Kingdom	363,136	404,633
Europe	26,417	37,435
Middle East	53,121	29,025
Rest of the World	7,499	9,969
	<u>450,173</u>	<u>481,062</u>

The Company recognised revenue in the period of £24,002,000 (2020: £27,332,000) that was included in the contract liabilities balance at the beginning of the current period.

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

**5 Other operating income**

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

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
Government grants	<u>306</u>	<u>2,863</u>

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

**5 Other operating income (continued)**

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

**6 Operating profit**

This is stated after charging / (crediting):

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
Depreciation of property, plant and equipment	4,747	4,159
Depreciation of right of use assets	14,498	12,364
Amortisation of intangibles	2,871	1,771
Impairment (reversal)/charge on right of use assets	(334)	1,855
Loss on sale or disposal of property, plant and equipment	14	-
Share-based payment expense	3,156	2,703
Net foreign currency gains	<u>(932)</u>	<u>(1,053)</u>

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

The Company's research and development expenditure qualifying for research and development expenditure credit (RDEC) in the prior year was £26,009,000. The Company's estimated RDEC qualifying expenditure in the current year is expected to be in line with prior year. The Company finalises its current year research and development claim subsequent to the filing of these financial statements.

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

**7 Auditor's remuneration**

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

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
Audit of the financial statements of the Company	353	346
Audit fees borne in connection with the audit of other group companies	<u>259</u>	<u>333</u>
	<u>612</u>	<u>679</u>

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

**7 Auditor's remuneration (continued)**

The Company is exempt from disclosing remuneration paid in relation to the supply of non audit services since disclosures are included within the consolidated financial statements of AECOM Design & Consulting Services UK Limited.

**8 Staff costs and directors' remuneration**

(a) Staff costs

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
Wages and salaries	189,222	191,945
Social security costs	20,271	21,436
Other pension costs	10,075	10,083
	<u>219,568</u>	<u>223,464</u>

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

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

	<b>2021</b> <b>No.</b>	<b>2020</b> <b>No.</b>
Engineering and technical	3,405	3,621
Administration and finance	374	455
	<u>3,779</u>	<u>4,076</u>

(b) Directors' remuneration

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
Directors' remuneration	1,694	2,050
Company contributions to money purchase schemes	33	59
	<u>1,727</u>	<u>2,109</u>

	<b>2021</b> <b>No.</b>	<b>2020</b> <b>No.</b>
Number of directors who received shares in respect of qualifying services	3	6
Number of directors accruing benefits under money purchase schemes	<u>6</u>	<u>6</u>

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

**8 Staff costs and directors' remuneration (continued)**

**(b) Directors' remuneration (continued)**

In respect of the highest paid director:

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
Aggregate remuneration	334	459
Company contributions to money purchase schemes	<u>-</u>	<u>10</u>

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

The remuneration detailed above includes the total remuneration of all directors of the Company during the year. One of the Directors is employed and paid by an entity that is not part of the AECOM UK group.

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

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

During the year, amounts totalling £79,000 (2020: £137,000) were paid in respect of aggregate compensation relating to directors of the Company and fellow group undertakings, relating to their retirement from office.

**9 Interest receivable and similar income**

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
Dividend income	733	-
Interest receivable from group undertakings	450	6,002
Other interest income	<u>-</u>	<u>2</u>
	<u>1,183</u>	<u>6,004</u>

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

**9 Interest receivable and similar income (continued)**

On 10 March 2020 the Company received a dividend of £740,000 from its wholly owned subsidiary Mulholland & Doherty Limited, and as a result impaired its investment by an equal and opposite amount in order to reflect the revised net assets of Mulholland & Doherty Limited. Being directly related, the impairment charge has been offset against the dividend income, the net result being an impact of £nil on the profit and loss account in the prior year.

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

**10 Interest payable and similar expenses**

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
Interest expense on lease liabilities	3,206	3,635
Interest payable to group undertakings	1,821	1,957
Other finance costs	514	12
	<u>5,541</u>	<u>5,604</u>

**11 Taxation**

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

The tax credit is made up as follows:

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
<b><i>Current income tax:</i></b>		
UK corporation tax	-	-
Foreign tax	(170)	(331)
Total current income tax	<u>(170)</u>	<u>(331)</u>
<b><i>Deferred tax:</i></b>		
Origination and reversal of temporary differences	(1,503)	(1,206)
Amounts overprovided in previous years	42	184
Impact of change in tax laws and rates	5,379	2,218
Total deferred tax	<u>3,918</u>	<u>1,196</u>
<b><i>Tax income in the profit and loss account</i></b>	<u>3,748</u>	<u>865</u>

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

**11 Taxation (continued)**

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
<i>Current tax</i>		
Total current income tax income/(expense)	-	-
<i>Deferred tax</i>		
Actuarial (losses)/gains on defined benefit pension plans	(4,289)	299
Impact of changes in tax laws and rates	(415)	445
Total deferred tax (expense)/income	(4,704)	744
<i>Tax (expense)/income in the statement of other comprehensive income</i>	(4,704)	744

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

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit from continuing activities before tax	20,638	6,013
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	3,921	1,142
<i>Effects of:</i>		
Expenses not deductible for tax purposes	237	393
Income not taxable	(1,145)	(446)
Group relief received for nil payment	(1,901)	-
Foreign tax	170	331
Deferred tax recognised through OCI	391	117
Changes in tax laws and rates	(5,379)	(2,218)
Amounts overprovided in previous years	(42)	(184)
Total tax income reported in the profit and loss account	(3,748)	(865)



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

**11 Taxation (continued)**

**(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 these financial statements.

**(e) Deferred tax**

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Other temporary differences	1,776	626
Capital allowances	7,140	6,329
Pension schemes	(1,950)	2,755
Tax losses carried forward	18,145	15,157
Deferred tax asset	<u>25,111</u>	<u>24,867</u>

*Movement in deferred tax balance during the year*

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

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

**11 Taxation (continued)**

**(e) Deferred tax (continued)**

*Movement in deferred tax balance during the prior year*

	28 September 2019 £ 000	Recognised in profit and loss £ 000	Recognised in equity £ 000	Recognised in other comprehensive income £ 000	2 October 2020 £ 000
Other temporary differences	296	120	210	-	626
Capital allowances	5,140	1,189	-	-	6,329
Pension schemes	3,784	(1,773)	-	744	2,755
Tax losses carried forward	13,497	1,660	-	-	15,157
	<u>22,717</u>	<u>1,196</u>	<u>210</u>	<u>744</u>	<u>24,867</u>

Deferred tax assets not recognised amount to £47,000 (2020: £33,000). These assets do not have an expiry date.

**12 Intangible fixed assets**

	Software, licenses and patents £ 000	Other £ 000	Goodwill £ 000	Total £ 000
<i>Cost:</i>				
At 3 October 2020	2,750	15,270	51,244	69,264
Additions	109	-	-	109
Disposals	(2,354)	(3,329)	-	(5,683)
At 1 October 2021	<u>505</u>	<u>11,941</u>	<u>51,244</u>	<u>63,690</u>
<i>Amortisation and impairment:</i>				
At 3 October 2020	2,529	9,299	-	11,828
Charged during the year	77	2,794	-	2,871
On disposals	(2,354)	(3,329)	-	(5,683)
At 1 October 2021	<u>252</u>	<u>8,764</u>	<u>-</u>	<u>9,016</u>
<i>Net book value:</i>				
At 1 October 2021	<u>253</u>	<u>3,177</u>	<u>51,244</u>	<u>54,674</u>
At 2 October 2020	<u>221</u>	<u>5,971</u>	<u>51,244</u>	<u>57,436</u>

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

**12 Intangible fixed assets (continued)**

No intangible assets were pledged as security.

Other intangible assets include £7,941,000 of customer relationships acquired from AECOM Professional Services LLP and AECOM Design Build Limited in prior years and a payment of £4,000,000 made in 2018 in respect of a collaboration agreement entered into with a leading construction company.

Disposals of Other intangibles assets during the year relates to acquired backlog which has expired and is not expected to generate any further future economic benefit for the Company.

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

	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Building and Places	47,072	47,072
Civil Infrastructure	3,806	3,806
Environment and Ground Engineering	366	366
	<u>51,244</u>	<u>51,244</u>

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

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

**12 Intangible fixed assets (continued)**

*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.

*Estimates used in value in use calculation*

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

The rate at which the projected cash flows have been discounted represents an estimate of the Company's Weighted Average Cost of Capital (WACC). This was calculated for the wider Design and Consulting Services (DCS) business in the UK, being the market segment in which the Company operates. The post-tax discount rate applied to cash flows is 10.0% (2020: 12.0%). Had a pre-tax rate been applied, the rate would have been 11.3% (2020: 13.2%).

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

*Sensitivity of valuation to changes in key assumptions*

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

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

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

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

13 Property, plant and equipment

	Fixtures, fittings, tools and equipment £ 000	Computer equipment £ 000	Leasehold improvements £ 000	Total £ 000
<i>Cost:</i>				
At 3 October 2020	5,236	4,386	18,668	28,290
Other movements	727	-	879	1,606
At 3 October 2020 (restated)	5,963	4,386	19,547	29,896
Additions	228	2,930	295	3,453
Disposals	(516)	(445)	(300)	(1,261)
At 1 October 2021	<u>5,675</u>	<u>6,871</u>	<u>19,542</u>	<u>32,088</u>
<i>Depreciation:</i>				
At 3 October 2020	(2,455)	(1,332)	(8,990)	(12,777)
Other movements	(727)	-	(879)	(1,606)
At 3 October 2020 (restated)	(3,182)	(1,332)	(9,869)	(14,383)
Charged during the year	(917)	(1,871)	(1,959)	(4,747)
Eliminated on disposal	516	435	296	1,247
At 1 October 2021	<u>(3,583)</u>	<u>(2,768)</u>	<u>(11,532)</u>	<u>(17,883)</u>
<i>Net book value:</i>				
At 1 October 2021	<u>2,092</u>	<u>4,103</u>	<u>8,010</u>	<u>14,205</u>
At 3 October 2020	<u>2,781</u>	<u>3,054</u>	<u>9,678</u>	<u>15,513</u>

No tangible fixed assets have been pledged as security.

During the year, prior period adjustments were recorded as a result of a data validation exercise which resulted in corrections posted to 'fixtures, fittings, tools and equipment' and 'leasehold improvements' cost categories, and related accumulated depreciation which totalled £1,606,000. These adjustments were recorded in order to reflect the correct prior year closing cost and accumulated depreciation within the financial statements. These adjustments are reflected in the 'Other movements' line item above. This did not have any impact on the total opening or closing net book value of property, plant and equipment, or on depreciation charged in the profit and loss account in either the current or prior year.

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

**14 Right of use assets**

	<b>Computer equipment £ 000</b>	<b>Property £ 000</b>	<b>Motor vehicles £ 000</b>	<b>Total £ 000</b>
<i>Cost:</i>				
At 3 October 2020	15,995	67,913	-	83,908
Additions	5,468	517	1,087	7,072
Disposals	(1,955)	(953)	-	(2,908)
At 1 October 2021	<u>19,508</u>	<u>67,477</u>	<u>1,087</u>	<u>88,072</u>
<i>Depreciation:</i>				
At 3 October 2020	(8,095)	(10,338)	-	(18,433)
Charged during the year	(5,616)	(8,774)	(108)	(14,498)
Eliminated on disposal	1,955	443	-	2,398
Impairment reversal	-	334	-	334
At 1 October 2021	<u>(11,756)</u>	<u>(18,335)</u>	<u>(108)</u>	<u>(30,199)</u>
<i>Net book value:</i>				
At 1 October 2021	<u>7,752</u>	<u>49,142</u>	<u>979</u>	<u>57,873</u>
At 2 October 2020	<u>7,900</u>	<u>57,575</u>	<u>-</u>	<u>65,475</u>

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 £2,297,000 and an increase in depreciation charge of £1,777,000 and an increase in corresponding lease liability additions of £722,000 (see note 19).

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

**15 Investments**

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

	<b>2021</b> <b>£ 000</b>	<b>2020</b> <b>£ 000</b>
Investments in subsidiaries	2,136	2,136
Investments in associates	6	6
Investments in joint ventures	937	905
	<u>3,079</u>	<u>3,047</u>

All investments are in unlisted entities.

**(a) Subsidiaries**

	<b>£ 000</b>
<i>Cost:</i>	
At 2 October 2020	<u>3,836</u>
At 1 October 2021	3,836
<i>Provision for impairment:</i>	
At 2 October 2020	<u>1,700</u>
At 1 October 2021	1,700
<i>Net book value:</i>	
At 1 October 2021	<u>2,136</u>
At 2 October 2020	<u>2,136</u>

# AECOM Limited

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

### 15 Investments (continued)

#### (a) Subsidiaries (continued)

Details of the subsidiaries held as at 1 October 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Maunsell Structural Plastics Limited	Intellectual Property	Aldgate Tower, 2 Leman Street, London, England, E1 8FA	100%	100%
AKT JV Limited	Dormant entity	Aldgate Tower, 2 Leman Street, London, England, E1 8FA	95%	95%
AECOM Environmental Solutions Limited	Consulting Engineers	Aldgate Tower, 2 Leman Street, London, England, E1 8FA	0%	100%
AECOM (Montenegro) doo	Dormant entity	BULEVAR DŽORDŽA VAŠINGTONA BR.51, Podgorica, Montenegro	100%	100%
Bullen Consultants Limited	Dormant entity	Aldgate Tower, 2 Leman Street, London, England, E1 8FA	100%	100%
Mulholland & Doherty Limited	In liquidation	9th Floor, The Clarence West Building, 2 Clarence Street West, Belfast, BT2 7GP	100%	100%
AECOM Pension Trustee Limited	Dormant entity	AECOM House, 63-77 Victoria Street, St Albans, Hertfordshire, England, AL1 3ER	100%	100%

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



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

**15 Investments (continued)**

**(a) Subsidiaries (continued)**

The Directors believe that the carrying values of investments at 1 October 2021 is supported by their underlying net assets, or value in use. In measuring value in use, the discount rate used reflects current assessments of the time value of money and the risks specific to the asset.

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.

**Movements in the year**

On 27 September 2021 AECOM Environmental Solutions Limited, a subsidiary of the Company, was sold to a fellow group undertaking, AECOM Design & Consulting Services UK Limited for its book value of £1. No profit or loss was recognised in respect of the sale.

On 4 February 2021 Mulholland & Doherty Limited was put into liquidation. At the point the company is formally dissolved it will be disposed of.

**(b) Associates**

	<b>£ 000</b>
<i>Cost:</i>	
At 2 October 2020	<u>6</u>
At 1 October 2021	<u>6</u>
<i>Net book value:</i>	
At 1 October 2021	<u>6</u>
At 2 October 2020	<u>6</u>

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

**15 Investments (continued)**

**(b) Associates (continued)**

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

Name of Company	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2021	2020
Grontmij Maunsell Holdings BV (Reg: 30164459)	Parent undertaking	De Holle Bilt 22, De Bilt, 3732HM, Netherlands	49%	49%
Grontmij Maunsell Infrastructure Consultancy Services BV (Reg: 30164468)	Consulting Engineers	De Holle Bilt 22, De Bilt, 3732HM, Netherlands	100%	100%

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

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

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

**15 Investments (continued)**

**(c) Joint ventures**

	<b>£ 000</b>
<i>Joint venture undertaking at cost:</i>	
At 2 October 2020	905
Share of profit of joint ventures	1,457
Cash distributions received from joint ventures during the year	(1,425)
At 1 October 2021	937

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

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

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			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, TN14 5E	50%	50%
Perfect Circle JV Limited	Consulting Engineers	Halford House, Charles Street, Leicester, England, LE1 1HA	33%	33%

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

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

**15 Investments (continued)**

**(c) Joint ventures (continued)**

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

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

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

	<b>1 October 2021 £ 000</b>	<b>2 October 2020 £ 000</b>
<b>Transcend Partners Limited summarised balance sheet</b>		
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%
Company's carrying amount of the investment	417	329
	<b>2021 £ 000</b>	<b>2020 £ 000</b>
<b>Transcend Partners Limited summarised profit and loss account</b>		
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%
Company's share of profit for the year	88	144

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

**15 Investments (continued)**

**(c) Joint ventures (continued)**

	<b>1 October 2021 £ 000</b>	<b>2 October 2020 £ 000</b>
<b>Conway AECOM Limited summarised balance sheet</b>		
Non current assets	-	272
Current assets (including cash of 2021: £6,432, 2020: £1,951)	17,359	11,014
Current liabilities	<u>(16,345)</u>	<u>(10,169)</u>
Net assets	<u>1,014</u>	<u>1,117</u>
Share in equity	50%	50%
Company's carrying amount of the investment	<u>507</u>	<u>559</u>
	<b>2021 £ 000</b>	<b>2020 £ 000</b>
<b>Conway AECOM Limited summarised profit and loss account</b>		
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	<u>-</u>	<u>(40)</u>
Loss before tax	(12)	(165)
Income tax credit	<u>-</u>	<u>31</u>
Loss after tax	<u>(12)</u>	<u>(134)</u>
Share in equity	50%	50%
Company's share of loss for the year	<u>(6)</u>	<u>(67)</u>

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

**15 Investments (continued)**

**(c) Joint ventures (continued)**

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

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

**(d) Joint operations**

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

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

**15 Investments (continued)**

**(d) Joint operations (continued)**

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

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

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

**16 Debtors**

	<b>1 October 2021 £ 000</b>	<b>2 October 2020 £ 000</b>
Trade debtors	48,075	43,948
Amounts owed by group undertakings	161,228	194,795
Contract assets	65,558	61,129
Other debtors	11,018	10,673
Prepayments and accrued income	6,867	7,199
Deferred tax (see note 11)	25,111	24,867
	<u>317,857</u>	<u>342,611</u>

Trade debtors are stated after provisions for impairment of £1,164,000 (2020: £4,894,000). Trade debtors represent amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally non-interest bearing and are generally due for settlement within 14 to 28 days.

There are no provisions for impairment on amounts owed by group undertakings (2020: £nil).

Contract assets are stated after provisions for impairment of £3,043,000 (2020: £3,887,000).

All debtors are due within one year with the exception of deferred tax of £23,364,000 (2020: £21,175,000) and other debtors of £8,404,000 (2020: £4,568,000) which include amounts receivable in respect of corporation tax related research and development expenditure credits due in more than one year.

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

Amounts owed by group undertakings above represent balances owed by fellow AECOM entities that are wholly owned subsidiaries of the ultimate parent undertaking. Balances owed from associates and joint ventures are disclosed in note 26.



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

**17 Creditors: amounts falling due within one year**

	<b>1 October 2021 £ 000</b>	<b>2 October 2020 £ 000</b>
Trade creditors	15,974	24,049
Lease liabilities (see note 19)	11,661	13,107
Contract liabilities	36,493	29,724
Amounts owed to group undertakings	85,209	108,411
Other creditors	840	317
Other taxes and social security costs	18,610	26,976
Accruals and deferred income	21,787	31,570
	<u>190,574</u>	<u>234,154</u>

There are no financial liabilities held at fair value through profit and loss account (2020: nil).

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

Amounts owed to group undertakings above represent balances owed to fellow AECOM entities that are wholly owned subsidiaries of the ultimate parent undertaking. Balances owed from associates and joint ventures are disclosed in note 26.

In addition to the Government's job retention scheme, the Company 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, as at the prior year end date, are presented in note 18 below. The amount was repaid in full before 1 October 2021.

**18 Creditors: amounts falling due after more than one year**

	<b>1 October 2021 £ 000</b>	<b>2 October 2020 £ 000</b>
Lease liabilities (see note 19)	54,859	63,211
Other creditors	1,406	-
Other taxes and social security costs	-	8,561
	<u>56,265</u>	<u>71,772</u>

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

**19 Leases**

**Leases included in creditors**

	<b>Computer equipment £ 000</b>	<b>Property £ 000</b>	<b>Motor Vehicles £ 000</b>	<b>Total £ 000</b>
At 3 October 2020	7,928	68,390	-	76,318
Additions	3,891	627	1,087	5,605
Disposals	-	(510)	-	(510)
Interest	396	2,798	12	3,206
Payments	<u>(4,211)</u>	<u>(13,768)</u>	<u>(120)</u>	<u>(18,099)</u>
At 1 October 2021	<u>8,004</u>	<u>57,537</u>	<u>979</u>	<u>66,520</u>
<i>Of which:</i>				
Amounts falling due within one year at 1 October 2021	<u>3,239</u>	<u>8,120</u>	<u>302</u>	<u>11,661</u>
Amounts falling due after more than one year at 1 October 2021	<u>4,765</u>	<u>49,417</u>	<u>677</u>	<u>54,859</u>

The Company expects to make lease payments of £24,347,000 (2020: £26,800,000) which fall due more than five years from the balance sheet date.

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

In the prior year the Company made computer equipment disposals of £1,969,000 (2020: 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 cash flow statement.

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

**19 Leases (continued)**

**Lease profit and loss disclosure**

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

	<b>1 October</b>	<b>2 October</b>
	<b>2021</b>	<b>2020</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation charged in the year on right of use assets	14,498	12,364
Interest expense on lease liabilities	3,206	3,635
Expenses relating to short term leases (included in administrative expenses)	91	577
Expenses relating to leases of low-value assets (included in administrative expenses)	40	47
Variable lease payments (included in administrative expenses)	2,683	3,263
Sub lease income from right of use assets (included in administrative expenses)	-	(19)
Total amount recognised in total comprehensive income	<u>20,518</u>	<u>19,867</u>

The Company had total cash outflow for leases of £18,232,000 (2020: £16,978,000).

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

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

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

**Company as a lessor**

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

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

**20 Provisions for liabilities**

	Claims £ 000	Former partners' annuities £ 000	Property costs £ 000	Other provisions £ 000	Total £ 000
<b>2 October 2020:</b>					
Amounts falling due within one year	9,502	26	613	2,341	12,482
Amounts falling due after more than one year	2,373	-	5,212	-	7,585
	<u>11,875</u>	<u>26</u>	<u>5,825</u>	<u>2,341</u>	<u>20,067</u>
Arising during the year	4,773	-	1,003	-	5,776
Utilised in the year	(430)	(26)	(513)	(1,766)	(2,735)
Reversal of unused amounts	(220)	-	(437)	-	(657)
<b>At 1 October 2021:</b>					
Amounts falling due within one year	<u>15,041</u>	<u>-</u>	<u>2,327</u>	<u>575</u>	<u>17,943</u>
Amounts falling due after more than one year	<u>957</u>	<u>-</u>	<u>3,551</u>	<u>-</u>	<u>4,508</u>
Total	<u>15,998</u>	<u>-</u>	<u>5,878</u>	<u>575</u>	<u>22,451</u>

**Claims**

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

**Annuities**

Full provision was made to cover the expected future liability arising in respect of annuities payable to past partners of the Oscar Faber Partnership and AECOM Professional Services LLP. These annuities were settled in full during the year.

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

**20 Provisions for liabilities (continued)**

*Property costs*

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

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

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

*Other provisions*

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

**21 Called up share capital**

	2021		2020	
	No.	£ 000	No.	£ 000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	<u>17,525,173</u>	<u>17,525</u>	<u>17,525,173</u>	<u>17,525</u>

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

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

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

**22 Pensions**

*Defined benefit schemes*

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

Each section of the Scheme is segregated, meaning that the assets and liabilities in respect of members in one section are kept separate from the assets and liabilities of other sections. This ringfencing results in different funding levels for each section.

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

Mercer LLP provide actuarial and consultancy advice for the Scheme. The Scheme's Actuary, together with the Trustees, undertake triennial valuations of the Scheme's funded status, with interim assessments performed in the intervening years. The Scheme's Actuary and Trustees, in unison with the Company, assess whether a significant change in membership data has taken place on an annual basis to warrant refreshing the actuarial valuations on a more regular basis. To date this has not been considered necessary as no significant movements in membership data have taken place.

A full actuarial valuation, undertaken by the Scheme Actuary, was last carried out at 30 September 2019 for all Sections of the Scheme. The next valuation is at 30 September 2022.

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

The Company's total contributions for the Scheme during the period to 30 September 2022 (to include expenses) will be £540,000. Contributions will remain at this level until 1 September 2027, at which point contributions increase to £679,000 per month, increasing gradually thereafter until the end of deficit recovery plan is reached in 2031.

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

**22 Pensions (continued)**

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

	<b>2021</b> <b>£ 000</b>
Oscar Faber Section	707
Maunsell Section	-
Citrus Section	633
Bullen Section	211
Davis Langdon Section	637
	<u>2,188</u>

**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 Company 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.

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

**22 Pensions (continued)**

***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.

***Citrus members***

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

***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%.



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

**22 Pensions (continued)**

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

*Asset information - all defined benefit schemes*

	Plans in net deficit £ 000	2021 Plans in net surplus £ 000	Total £ 000	Plans in net deficit £ 000	2020 Plans in net surplus £ 000	Total £ 000
<i>Scheme assets at fair value</i>						
Equities	115,519	30,336	145,855	82,346	24,434	106,780
Bonds and debt securities	170,147	151,234	321,381	176,146	156,959	333,105
Property (pooled fund)	3,109	-	3,109	2,056	-	2,056
Cash and cash equivalents	14,350	4,803	19,153	16,040	5,501	21,541
Other investment funds	22,821	3,639	26,460	37,053	9,955	47,008
Fair value of scheme assets	325,946	190,012	515,958	313,641	196,849	510,490
Present value of scheme liabilities	(352,130)	(155,750)	(507,880)	(360,124)	(164,863)	(524,987)
Defined benefit pension (deficit)/surplus	<u>(26,184)</u>	<u>34,262</u>	<u>8,078</u>	<u>(46,483)</u>	<u>31,986</u>	<u>(14,497)</u>

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

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

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

**22 Pensions (continued)**

	<b>Plans in net deficit £ 000</b>	<b>2021 Plans in net surplus £ 000</b>	<b>Total £ 000</b>	<b>Plans in net deficit £ 000</b>	<b>2020 Plans in net surplus £ 000</b>	<b>Total £ 000</b>
<i>Recognised in the profit and loss account</i>						
Past service cost	190	12	202	-	-	-
Net interest on defined benefit liabilities	592	(450)	142	627	(327)	300
Administrative expenses paid	447	47	494	457	328	785
	<u>1,229</u>	<u>(391)</u>	<u>838</u>	<u>1,084</u>	<u>1</u>	<u>1,085</u>

	<b>Plans in net deficit £ 000</b>	<b>2021 Plans in net surplus £ 000</b>	<b>Total £ 000</b>	<b>Plans in net deficit £ 000</b>	<b>2020 Plans in net surplus £ 000</b>	<b>Total £ 000</b>
<i>Taken to the Statement of Comprehensive Income</i>						
Return on plan assets (excluding amounts included in interest income/(expense))	(20,108)	2,422	(17,686)	620	(26,509)	(25,889)
Actuarial (gains) and losses arising from experience adjustments	-	-	-	(4,369)	9,826	5,457
Actuarial (gains) and losses arising from changes in financial assumptions	1,286	(3,752)	(2,466)	14,219	6,211	20,430
Actuarial (gains) and losses arising from changes in demographic assumptions	(729)	(344)	(1,073)	2,069	(498)	1,571
Actuarial (gain)/loss on defined benefit pension schemes	<u>(19,551)</u>	<u>(1,674)</u>	<u>(21,225)</u>	<u>12,539</u>	<u>(10,970)</u>	<u>1,569</u>

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

**22 Pensions (continued)**

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

	<i>Plans in net deficit £ 000</i>	<i>Plans in net surplus £ 000</i>
<b>Defined benefit obligation at 28 September 2019</b>	377,334	128,008
Transfer in / movements for scheme sections in surplus in prior year, now in deficit	(23,286)	23,286
Net interest on benefit obligation	5,855	2,444
Benefits paid	(11,698)	(4,414)
Actuarial gains and losses	11,919	15,539
<b>Defined benefit obligation at 2 October 2020</b>	<u>360,124</u>	<u>164,863</u>
Past service cost	190	12
Net interest on benefit obligation	5,101	2,280
Benefits paid	(13,842)	(7,309)
Actuarial gains and losses	557	(4,096)
<b>Defined benefit obligation at 1 October 2021</b>	<u><u>352,130</u></u>	<u><u>155,750</u></u>

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

	<i>Plans in net deficit £ 000</i>	<i>Plans in net surplus £ 000</i>
<b>Fair value of plan assets at 28 September 2019</b>	333,531	149,554
Transfers in / movements for schemes in surplus in prior year, now in deficit	(21,805)	21,805
Interest income on plan assets	5,228	2,771
Contribution by employer	9,462	952
Administrative expenses	(457)	(328)
Benefits paid	(11,698)	(4,414)
Actuarial gains and losses	(620)	26,509
<b>Fair value of plan assets at 2 October 2020</b>	<u>313,641</u>	<u>196,849</u>
Interest income on plan assets	4,509	2,730
Contribution by employer	1,977	211
Administrative expenses	(447)	(47)
Benefits paid	(13,842)	(7,309)
Actuarial gains and losses	20,108	(2,422)
<b>Fair value of plan assets at 1 October 2021</b>	<u><u>325,946</u></u>	<u><u>190,012</u></u>

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

**22 Pensions (continued)**

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

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

***AECOM Group Pension Scheme – BM Section***

***Main assumptions***

	2021	2020
<b>Weighted average assumptions to determine benefit obligations:</b>		
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
<b>Weighted average assumptions to determine benefit cost:</b>		
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
<b>Weighted average assumptions to determine benefit obligations:</b>		
Rate of salary increase	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%
<b>Weighted average assumptions to determine benefit cost:</b>		
Rate of salary increase	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%

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

**22 Pensions (continued)**

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

***AECOM Group Pension Scheme – Maunsell Section***

***Main assumptions***

	<b>2021</b>	<b>2020</b>
<b>Weighted average assumptions to determine benefit obligations:</b>		
Rate of salary increase	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%
<b>Weighted average assumptions to determine benefit cost:</b>		
Rate of salary increase	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***

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

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

**22 Pensions (continued)**

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

***AECOM Group Pension Scheme – Citrus Section***

***Main assumptions***

	<b>2021</b>	<b>2020</b>
<b>Weighted average assumptions to determine benefit obligations:</b>		
Rate of salary increase	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%
<b>Weighted average assumptions to determine benefit cost:</b>		
Rate of salary increase	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***

	<b>2021</b>	<b>2020</b>
<b>Weighted average assumptions to determine benefit obligations:</b>		
Rate of salary increase	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%
<b>Weighted average assumptions to determine benefit cost:</b>		
Rate of salary increase	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%

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

**22 Pensions (continued)**

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

***AECOM Group Pension Scheme - Oscar Faber Section***

***Main assumptions***

	<b>2021</b>	<b>2020</b>
<b>Weighted average assumptions to determine benefit obligations:</b>		
Rate of salary increase	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%
<b>Weighted average assumptions to determine benefit cost:</b>		
Rate of salary increase	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

***Sensitivity analysis - all plans:***

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

	<b>2021 £ 000</b>
Discount rate -25 basis points	(22,750)
Discount rate +25 basis points	21,439
Price inflation -25 basis points	9,623
Price inflation +25 basis points	(12,300)

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
Discount rate +25 basis points	17.3 years

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

**22 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.

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

**GMP**

Following the High Court judgement on 26 October 2018 in the Lloyds Banking Group case, overall pension benefits in the United Kingdom were equalised to eliminate inequalities between male and female participants in Guaranteed Minimum Pensions ('GMPs'). An additional immediate liability of £1,580,000 was recognised in the profit and loss account in 2019 as a result.

A second case was heard by the High Court in November 2020, regarding uncertainty on the treatment of historic transfer values prior to the 26 October 2018 judgement, and whether or not they need an uplift to be equalised for the impact of GMPs. The judgement ruled in favour of equalisation. 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 £200,000 and this has been recognised in the profit and loss account during the year.

**23 Share-based payments**

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

**The Stock Incentive Plan**

The 2006 Amended and Restated Stock Incentive Plan provides for the grant of incentives in the form of Performance Earnings Program awards ("PEP") Restricted Stock Units ("RSUs") and other forms of equity awards. PEPs and RSUs generally vest over three year vesting periods. RSUs are subject to service conditions. PEP awards are subject to both performance and service requirements. Performance based conditions are based upon the achievement of free cash flow and earnings per share targets of AECOM, established in the first quarter of each fiscal year. In accordance with IFRS2: Share based payments; awards are expensed from the grant date over the remaining vesting period on a straight line basis. PEP performance conditions are reviewed at the end year of each year within the vesting period to assess the likelihood of the various performance conditions being met. Awards granted to date have a nil exercise price and therefore, fair value is taken to be market value of the underlying shares at grant date. The weighted average fair value at grant date for PEPs and RSUs awarded during the year was £35.92 (2020: £32.11). All awards are settled with the employee in the form of equity.



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

**23 Share-based payments (continued)**

**Sharesave Plan**

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

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

	2021		2020	
	Stock Incentive Plan	Sharesave	Stock Incentive Plan	Sharesave
Exercised during the year/period	49,590	68,802	48,976	63,737
Weighted average price of awards exercised during the year/period	£nil	£21.61	£nil	£21.91
Outstanding at 1 October 2021 and 2 October 2020	134,186	337,056	136,647	384,506
Exercise price of awards outstanding at 1 October 2021 and 2 October 2020	£nil	£21.61 - £42.04	£nil	£21.61-£22.85
Weighted average remaining contractual life of awards outstanding at 1 October 2021 and 2 October 2020	1.3yrs	1.7yrs	1.3yrs	2.1yrs

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

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

	<b>1 October 2021 £ 000</b>	<b>2 October 2020 £ 000</b>
<b>Profit before tax</b>	20,638	6,013
Net interest expense /(income) and other finance costs	4,500	(100)
Depreciation of property, plant and equipment	4,747	4,159
Depreciation of right of use assets	14,498	12,364
Amortisation of intangible assets	2,871	1,771
Impairment (reversal)/charge right of use assets	(334)	1,855
Decrease/(increase) in debtors (including contract assets)	26,293	(39,341)
Decrease in inventory	-	552
(Decrease)/increase in creditors (including contract liabilities)	(50,694)	31,430
Increase in provisions	2,384	13,214
Loss on disposal of property, plant and equipment	14	-
Difference between pension charge and cash contributions	(1,693)	(9,630)
Share of Joint Ventures profits	(32)	(104)
Non-cash and other movements	(1,176)	2,931
Net cash inflow from operating activities before tax	<u>22,016</u>	<u>25,114</u>

**25 Contingent liabilities and capital commitments**

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

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

**25 Contingent liabilities and capital commitments (continued)**

**Claims**

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

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

As a result, a liability has not been recognised for such claims and the specific details of these claims have not been disclosed due to the impracticality of disclosing claims or potential claims of this nature.

The directors consider that any probable liabilities are suitably provided for (see note 20).

**Capital Commitments**

Other than finance leases as disclosed in note 19 and pension deficit obligations as disclosed in note 22 the Company does not have any capital commitments as at 1 October 2021.

**26 Related party transactions**

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

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

	Sales to related party £ 000	Purchases from related party £ 000	Amounts owed by related party £ 000	Amounts owed to related party £ 000
<i>Associate:</i>				
<b>Grontmij Maunsell Infrastructure Consultancy</b>				
At 1 October 2021	-	-	-	-
At 2 October 2020	-	2	-	-
	-	2	-	-

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

**26 Related party transactions (continued)**

	Sales to related party £ 000	Purchases from related party £ 000	Amounts owed by related party £ 000	Amounts owed to related party £ 000
<i>Joint Venture:</i>				
<b>Conway AECOM Limited</b>				
At 1 October 2021	3,722	-	426	-
At 2 October 2020	5,988	-	741	-
<b>Transcend Partners Limited</b>				
At 1 October 2021	1,211	-	49	-
At 2 October 2020	1,511	-	-	-
<b>Perfect Circle JV Limited</b>				
At 1 October 2021	78,689	-	3,237	-
At 2 October 2020	97,344	-	6,833	1,851

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

AECOM Arabia Limited is considered a related party as 49% of the ordinary shares are owned by a fellow group undertaking.

**Terms and conditions with related parties**

Sales and purchases between related parties are made on an arm's length basis. Outstanding balances with entities other than fellow wholly owned subsidiaries are unsecured, interest free and cash settlement is expected within 30 - 60 days. Terms and conditions for fellow wholly owned subsidiaries are the same, with the exception that balances are placed on intercompany accounts with no specified credit period.

**27 Ultimate parent undertaking and controlling party**

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

The Company's ultimate parent undertaking is AECOM which is incorporated in the United States of America. The Company's results are included within the consolidated financial statements of AECOM which are publicly available from 13355 Noel Road, Suite 400, Dallas, Texas, 75240, United States of America. The results of the Company are also included in the consolidated financial statements of AECOM Design & Consulting Services UK Limited which are publicly available from Aldgate Tower, 2 Leaman Street, London, E1 8FA, United Kingdom.