REGISTERED NUMBER: 02507588 (England and Wales)

Annual Report and Financial Statements for the Year Ended 31 December 2020 for Amey Services Limited

Amey Services Limited

Contents of the Financial Statements for the Year Ended 31 December 2020

Amey Services Limited

Company Information for the Year Ended 31 December 2020

Directors

A L Fisher
A L Nelson

Company Secretary

Sherard Secretariat Services Limited

Registered Office

Chancery Exchange
10 Furnival Street
London
EC4A 1AB
United Kingdom

Auditor

Deloitte LLP
Abbots House
Abbey Street
Reading
RG1 3BD
United Kingdom

Amey Services Limited

Strategic Report for the Year Ended 31 December 2020

The Directors present their strategic report for the year ended 31 December 2020.

Principal activity

The Company is principally engaged in the activity of providing employment services on behalf of Amey UK plc Group companies. The costs of the employees are fully recharged to other Amey UK plc Group companies. There have been no changes in the Company's activities during the year.

Review of business and future developments

The income statement for the year is set out on page 11 and shows revenue of £536,907,000 (2019 - £576,360,000) and a profit after tax amounting to £41,781,000 (2019 – a loss of £135,832,000), all of which arose from continuing activities.

Revenue was reduced by 7% year on year reflecting the reduced payroll costs arising across all of the Amey group. The operating profit for the year has increased in 2020, reflecting additional pension cash top up contributions from other Amey Group companies into the defined benefit pension schemes accounted for by the Company.

On 30 July 2019, the Company granted loan facilities totalling £148,026,000 to fellow group undertakings, Amey LG Limited and Enterprise plc, for £55.2 million and £92.8 million respectively. These are perpetual investment loans with an applicable interest rate of 12-month LIBOR plus 200 basis points, payment of which is at the discretion of loan grantees. Following a review of the carrying value of that investment, an impairment charge of £148.0 million was included in the results of the Company for 2019.

A credit arose in 2020 in respect of the provisions against impairments of investments in subsidiary and other group undertakings of £28,647,000 (2019 - £148,026,000 charge). These provisions reflect the difficult trading conditions experienced by some of the Group's principal operating subsidiaries, though the outlook has considerably improved following the exit from loss-making contracts by the Amey Group and as a result of additional capital contributions made to those group companies in need of support. During the year, management has reassessed the carrying value of investments in group undertakings and the amounts due from fellow group undertakings for any change in the level of impairment provision against carrying value. For operating companies, the assessment may also consider whether the carrying value of the investment or receivable exceeds its recoverable amount which is the higher of the fair value of the investment or receivable and its value in use. The value in use is calculated using the present value of the future cash flows incorporating variations in the amount and timing of cash flows, time value of money, price for bearing the inherent uncertainty in the asset and other factors such as illiquidity. For non-operating companies the impairment provision reflects the net asset position of the related investment.

There have been no events since the balance sheet date which materially affect the position of the Company.

Key performance indicators

The Company's principal key performance indicators are revenue and profit after tax which are shown in the income statement for the year set out on page 11.

Principal risks and uncertainties

The Company's risks and other key performance indicators are only reported and managed on a Divisional basis. To gain a further understanding of this business, details of the principal risks and uncertainties and other key performance indicators are contained in the Annual Report and Financial Statements of the intermediate parent undertaking, Amey UK plc ('the Group'), for the year ended 31 December 2020. The Company is a member of the Central Services division of the Group.

Financial risk management

A discussion of the objectives and policies employed in managing risk and the Company's use of financial instruments can be found in the Amey UK plc Annual Report and Accounts for the year ended 31 December 2020 as the Company is subject to the application of Group-wide policies and practices when assessing financial risk.

The Company does not hold any derivative financial instruments. There is no material financial risk arising on the assets and liabilities held by the Company.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Directors consider, both individually and collectively, 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 s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2020 (see also the Corporate Governance statement and a detailed s172(1) statement on the Amey Group's website: www.amey.co.uk and the Amey UK plc 2020 group accounts for more information).

In discharging their duties in relation to s172(1) of the Companies Act 2006, the Directors have paid regard to the following matters:

(a) the likely consequences of any decision in the long-term, such as strategic planning, Brexit impact and business development opportunities;
(b) interests of the Group's employees including health and safety, employee involvement and initiatives, diversity, inclusion and gender pay gap issues (see employee engagement and employment policies section of the Directors Report);
(c) the need to foster relationships with suppliers, customers and others including supplier evaluation, social values and payment practices;
(d) to act fairly between members of the Company;
(e) impact of operations on community and the environment, including carbon management, climate crisis initiatives; and
(f) reputation for high standards of business conduct including adoption of corporate governance standards, training of Directors and whistleblowing reporting.

As the Company is a wholly owned subsidiary of the Amey group of companies, and ultimately the Ferrovial group of companies, the Company's Directors discharge their duties within policies, procedures and authorisation limits set out on a group-wide basis. Further information on how officers within the Amey Group of companies discharge their duties is included in the Amey UK plc 2020 group accounts. The Directors of this Company also achieve this through attendance at relevant executive meetings, involvement in executive briefings and training, and through having responsibility for implementation of group-wide initiatives to promote best practice.

Approved by the Board on 22 July 2021 and signed on its behalf by:

....
A L Nelson
Director
22 July 2021

The Directors present their annual report with the audited financial statements of the Company for the year ended 31 December 2020.

Strategic Report

Details of future developments, post balance sheet events (if any) and financial risk management can be found in the Strategic Report on pages 2 to 3 and form part of this report by cross reference.

Employee engagement and employment policies

Connecting with employees, especially front-line workers, has been a priority throughout the year. The Company and Group's policy is to have open and regular communication with all employees through both formal and informal methods that are regularly reviewed and developed.

Employees are provided with information about Amey through the intranet, internal social channel Yammer, Chief Executive Officer briefings, 'Hub' (the employee magazine), emails, text, occasional briefings and 'e-newsletters' and via their people managers. These are in addition to communications direct to employees on specific matters or initiatives, such as in relation to the Health and Safety Zero Code and further development of employee wellbeing initiatives.

Employees can also access priority information on topics such as safety, wellbeing, benefits and COVID-19 via an *internet portal. Springboard, Amey's continuous improvement programme, empowers employees to suggest and* implement improvements to the business.

The Group also regularly reviews and updates its intranet, AmeyWorld, which provides a wealth of information accessible across the Group including daily news, process documents and results. In addition, 'Toolbox Talks' provide regular communications to operatives with updates on health and safety and contract or site information together with corporate messages. There are also Business Unit initiatives aimed at enhancing employee engagement, one being the availability of a weekly Directors' hotline which is answered by the senior leadership team of the business unit.

Members of the Group pension schemes also receive regular reports and communications on matters relating to their pensions.

During 2020, 'WoW' interviews were held with all employees who were required to work from home due to Government restrictions in response to COVID-19. These included health and safety assessments and wellbeing considerations.

Regular 'Pulse' surveys were also conducted to monitor employees' emotional wellbeing, maintain employee engagement and focus on specific aspects of employee wellbeing. The surveys provided the opportunity for employees to influence future WoW and to obtain a personal emotional wellbeing score with helpful advice and links to further resources. The wellbeing agenda includes monthly 'Wellbeing Wednesdays' – a platform for a range of different topics and activities, all of which were supported by a network of wellbeing ambassadors.

A network of 'changemakers' has been established to engage with and get feedback from a cross-section of employees in advance of corporate initiatives. More formal employee engagement is conducted through employee-appointed representatives and the Group also engages at national, regional and local level with a number of trade unions.

Dividends

No dividends were paid by the Company during the year (2019 - £nil). In view that the Company has a retained deficit for the year, the Directors are unable to recommend the payment of any dividend.

Energy and Carbon Performance

The Company has taken exemption from reporting on Energy and Carbon Performance as this information is included in the consolidated group accounts of Amey UK plc, of which this Company is a member. Full disclosure can be found in the Amey UK plc Annual Report and Accounts for 2020.

Business Relationships

The Directors have had regard to the need to foster the company's business relationships with stakeholders. This is explained further within the S172 statement part c) in the strategic report on page 3.

Directors of the Company

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

A L Fisher (appointed 15 January 2020)
A L Nelson

Directors' indemnity

Directors and Officers of the Company benefit from directors' and officers' liability insurance cover provided by the Amey Group in respect of legal actions brought against them for any of the directorships held within the Amey Group. In addition, Directors are indemnified under the Company's articles of association to the extent permitted by law, such indemnities being qualified third party indemnities.

Going concern

After making enquiries and based on the assumptions outlined in note 2 to the financial statements, the Directors have concluded that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Directors have considered the implications behind the Ferrovial, S.A. Group's strategic decision to divest the Amey UK plc Group. This decision does not impact the Company's day to day operations. Ferrovial has confirmed to Amey that, if it is unable to find a buyer that can demonstrate that it has plans to ensure that the Company will continue to be able to meet its liabilities as they fall due during the period of 12 months from the date of approval of these financial statements, Ferrovial will maintain its shareholding in the Company for that period.

Policy on slavery and human trafficking

In accordance with the Modern Slavery Act 2015, the Amey Group of which the Company is a member, is committed to ensuring that there is no modern slavery or human trafficking in our supply chains, or in any part of our business, with a zero tolerance for non-compliance. A full statement reflecting that commitment can be found on the Amey website www.amey.co.uk and an abridged statement is included in the financial statements of the Company's intermediate parent company, Amey UK plc.

Statement as to disclosure of information to the auditor

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Approved by the Board on 22 July 2021 and signed on its behalf by:

....

A L Nelson
Director
22 July 2021

Amey Services Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'.

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 United Kingdom 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 members of Amey Services Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Amey Services Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

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 this other information, we are required to report that fact.*

We have nothing to report in this regard.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Company's industry and its control environment and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the Company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation, employment law and COVID-19 UK Government relief; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Bribery Act, General Data Protection Regulation and health and safety laws and regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Risk of fraud in revenue recognition as a result of manual adjustments to revenue. We have isolated the significant risk within revenue recognition to be in respect of manual adjustments posted within and outside the finance system for which the journal entry impacts the revenue account balance. In addressing this significant risk, we have:
  - Obtained an understanding of management's process for posting journals both inside the accounting system and also outside the accounting system when management prepare their financial statements;
  - Used qualitative and quantitative criteria to identify journals of interest posted in the accounting records of the company;
  - Performed focused substantive testing on the journals selected by corroborating these to supporting documentation; and
  - Obtaining and challenging the business rationale for the adjustments made.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house/external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

Amey Services Limited

Independent auditor's report to the members of Amey Services Limited (continued)

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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 any material misstatements in the Strategic Report or the Report of the Directors.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

Andrew Hornby
....

Andrew Hornby FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading
United Kingdom

22 July 2021

Amey Services Limited

Income Statement for the Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	4	536,907	576,360
Cost of sales		(517,892)	(558,914)
Operating profit		19,015	17,446
Release /(charge) against investments in fellow group companies	6	28,647	(148,026)
Profit/(loss) before interest and taxation		47,662	(130,580)
Interest receivable and similar income	7	195	509
		47,857	(130,071)
Finance expense	8	(863)	(1,093)
Profit/(loss) before taxation	9	46,994	(131,164)
Tax on profit /(loss)	10	(5,213)	(4,668)
Profit/(loss) for the year		41,781	(135,832)

The notes on pages 15 to 37 form part of these financial statements.

Amey Services Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	2020 £'000	2019 £'000
Profit/(loss) for the year	41,781	(135,832)
Other comprehensive (expense)/income items:		
Items that will not be reclassified to income or (expense):		
Actuarial loss on pension scheme (note 17)	(50,576)	(7,996)
Movement on deferred tax relating to deficit on post-employment benefit obligations	11,340	1,359
Other comprehensive expense for the year, net of income tax	(39,236)	(6,637)
Total comprehensive expense for the year	2,545	(142,469)

The notes on pages 15 to 37 form part of these financial statements.

Amey Services Limited (Registered number: 02507588)

Balance Sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	11	28,647	-
Current assets			
Debtors: amounts falling due within one year	12	43,063	44,541
Debtors: amounts falling due after more than one year	12	9,407	2,533
Cash at bank and in hand		865	187
		53,335	47,261
Creditors: Amounts falling due within one year	13	(24,112)	(26,595)
Net current assets		29,223	20,666
Total assets less current liabilities		57,870	20,666
Provisions for liabilities - post employment benefit obligations	14	(47,574)	(12,915)
Net assets		10,296	7,751
Capital and reserves			
Share capital	16	157,200	157,200
Retained deficit		(146,904)	(149,449)
Shareholders' funds		10,296	7,751

The financial statements were approved by the Board of Directors on 22 July 2021 and signed on its behalf by:

....

A L Nelson
Director
22 July 2021

The notes on pages 15 to 37 form part of these financial statements.

Amey Services Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £'000	Retained deficit £'000	Total £'000
At 1 January 2019	157,200	(6,980)	150,220
Loss for the year	-	(135,832)	(135,832)
Other comprehensive expense		(6,637)	(6,637)
Total comprehensive expense	-	(142,469)	(142,469)
At 31 December 2019	157,200	(149,449)	7,751

	Share capital £'000	Retained deficit £'000	Total £'000
At 1 January 2020	157,200	(149,449)	7,751
Profit for the year	-	41,781	41,781
Other comprehensive expense		(39,236)	(39,236)
Total comprehensive income	-	2,545	2,545
At 31 December 2020	157,200	(146,904)	10,296

The notes on pages 15 to 37 form part of these financial statements.

1 General information

The principal activity of Amey Services Limited (the Company) is providing employment services on behalf of Amey UK plc Group companies and it operates principally within the UK. The costs of the employees are fully recharged to other Amey UK plc Group companies. The Company is a private company limited by share capital, incorporated and domiciled in the UK and registered in England and Wales.

The Company Secretary and address of the registered office is as follows:

Sherard Secretariat Services Limited

Chancery Exchange
10 Furnival Street
London
EC4A 1AB
United Kingdom

2 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

On 1 January 2020, the following additional standards which might have had an impact on the financial statements came into force in the United Kingdom:

Conceptual framework	Amendments to references to the conceptual framework in IFRS standards
Amendments to IFRS 3	Definition of business
Amendments to IAS 1 and IAS 8	Definition of material
Amendments to IFRS 4	Extension of temporary exemption in applying IFRS 9

No significant impact on the Company's financial statements has been identified because of these additional standards and amendments.

New standards or interpretations applicable to the Company for accounting periods commencing on or after 1 January 2021 are not expected to have a material impact on the Company.

2 Accounting policies (continued)

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 'Reduced Disclosure Framework':

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- IFRS 2, 'Share based payments';
- IAS 36, 'Impairment of assets' paragraphs 134 and 135;
- IFRS 15, 'Revenue from contracts with customers': second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129; and
- IFRS 16, 'Leases': paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93. Paragraph 58, provided that the disclosure of details of indebtedness required by paragraph 61(c) of Schedule 1 of the Regulations is presented separately for lease liabilities and other liabilities in total.

2 Accounting policies (continued)

Going concern

The Company is a subsidiary of Amey UK plc (the Group) and its financial resources are managed on a group basis. The Company is accordingly a cross-guarantor to certain liabilities of the Group as described in note 18. The Company has also received written confirmation from the intermediate parent undertaking, Amey UK plc, that it will continue to provide financial support to the Company for the period of at least twelve months from the date of signing these financial statements in order to fund day-to-day operations and to meet liabilities to the extent that the Company is unable to do so. The ultimate parent of the Group is Ferrovial, S.A.

The Group is financed through a mixture of shareholder equity, other equity instruments issued to Ferrovial companies, intercompany debt from Ferrovial companies, finance leases, non-recourse project-related bank term loans, other bank loans and overdrafts. Details of all bank loans and their maturity are set out in the Amey UK plc financial statements as are details of finance risks.

The Directors have considered the implications behind the Ferrovial, S.A. Group's strategic decision to divest the Amey UK plc Group. This decision does not impact the Company's day to day operations. Ferrovial has confirmed to Amey that, if it is unable to find a buyer that can demonstrate that it has plans to ensure that the Company will continue to be able to meet its liabilities as they fall due during the period of 12 months from the date of approval of these financial statements, Ferrovial will maintain its shareholding in the Company for that period.

The Group's key external banking facilities are five bilateral facility agreements of £32 million with each of HSBC Bank plc, Lloyds Bank plc, Royal Bank of Canada, The Royal Bank of Scotland plc and Santander. These agreements total £160 million with £32 million maturing in July 2021 and £128 million maturing in July 2022. A subsidiary company of the Group also has an additional facility of £12 million with The Royal Bank of Scotland plc which matures in December 2021. Additionally, with effect on 31 December 2020, shareholder loans of £85 million were extinguished as part of a further recapitalisation of the Group for additional total equity of £112 million.

At 31 December 2020, all £160 million of the bilateral facilities were undrawn and the Group also held £71 million of unrestricted cash on the Group balance sheet with £22 million of other bank loans drawn down. In February 2021, the Group concluded its discussion with its lenders to replace the £32 million loan expiring in July 2021 with new loans totalling £40 million expiring in July 2022. The latest Group cash flow forecasts show that the Group does not require the expiring facilities to be renewed in July 2022 as the Group will have sufficient cash resources from then onwards to support its ongoing working capital requirements. Nevertheless, early indications are that lenders would be willing to extend.

Notwithstanding this improved financial strength, the Directors of the Group have reviewed a number of factors including:

- the future business plans of the Group (comprising the results for 2020 and to June 2021, the latest forecast to December 2021 and the draft strategic plan for 2022 to 2025);
- the availability of core and ancillary financing facilities including those provided by Ferrovial;
- the compliance with the related net debt/EBITDA banking covenant which must remain under 3.00x;
- the projected drawn positions and headroom available on the core committed financing facilities; and
- the projected future cash flows of the Group comprising:
    - a Base Case forecast built up from the budget for 2021; and
    - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case.

2 Accounting policies (continued)

Going concern (continued)

The RWC forecast looks at the following key sensitivities:

- a reduction to the Group's EBITDA of £15.5 million in 2021 and £38.7 million in 2022 to reflect the ongoing volatility in the UK trading performance and sector dynamics;
- additional sensitivity around the timing of receipts;
- assumption allowing for a further reduction in the number of days outstanding of trade payables;
- a significant delay in the dates budgeted for the sale of the non-core businesses; and
- full repayment of the Group's banking facilities in 2021 (£11m) and 2022 (£180m).

The Directors note that the COVID-19 pandemic has had a material impact on the Group's earnings during the year ended 31 December 2020 however the impact was primarily in the 2nd and 3rd quarters of that year. As the Group gained more clarity over the key worker status and new working practices the impact on day to day operations reduced significantly during the last quarter and as, evidenced by minimal effect of the second national lockdown, the Group does not anticipate any further impacts even if further lockdowns are required. As a consequence, the RWC does not consider any impact specifically due to subsequent COVID-19 waves, although the business case sensitivities analysed allow for a worsening trading environment.

The Group's cash flow forecasts show that there is sufficient liquidity to enable it to continue trading should all the above sensitivities materialise. In addition to the above sensitivities, management has also considered actions that can be taken in order to mitigate any significant additional reductions in headroom due to unforeseen events which would include actions such as delaying Ferrovial management fees and interest and payments to suppliers. The increased liquidity of these actions give comfort to managements that it would have enough headroom to manage such unforeseen impacts.

The Board has also considered the implications behind the ongoing strategic decision of Ferrovial to divest its Services portfolio, reconfirmed in February 2021. This decision does not impact Amey's day-to-day operations and, in any event, as the Group does not rely on Ferrovial contractual guarantees there are no implications to the ongoing trading operations of the Group after a sale. The impact on our financing arising from a change of control would be as follows:

- Our external facilities totalling £168 million may become due for repayment subject to the change of control requirements which require the buyer to be of equivalent credit rating to our ultimate parent company; and

- The £45 million consideration still outstanding to Amey Birmingham Highways Limited would be immediately payable under the terms of the settlement agreement with them.

2 Accounting policies (continued)

Going concern (continued)

Notwithstanding the above, the Board of Amey consider that the Group remains a going concern status in the event of a sale. In making this decision the Board has assessed the following points:

- Ferrovial's chief executive has stated and reconfirmed in February 2021 that Ferrovial will only sell Amey for full value. The implication of this is that the successful buyer would stand to lose its full investment if it had not arranged for suitable refinancing, waivers or alternative plans for the business to enable it to continue trading. The Board believes, based on evidence gained during the sale process in 2019, that a sale to a buyer that could not demonstrate its capability to ensure Amey remains appropriately funded to be highly improbable and the Board therefore expects Amey to be a going concern, with suitable financing after such sale;

- Since the previous set of financial statements there has been ongoing dialogue between the board members of Amey and board members and senior executives of Ferrovial. These conversations give the Board comfort that Ferrovial is committed to an orderly sale process to a reputable buyer with appropriate financial standing. Ferrovial's actions, such as the recent conversion of additional debt to equity have been evidence of Ferrovial's support to Amey and consistent with these verbal assurances. Given the 20-year association between Ferrovial and Amey, the £160 million of additional funding in the last three years, the existing investments that Ferrovial has in the UK outside of Amey and Ferrovial's strong social and business values, the Board consider it to be highly improbable that Ferrovial would jeopardise its reputation by undertaking a fire-sale at undervalue; and

- Ferrovial is fully aware of the powers of the trustees under the governing documents of the defined benefit pension schemes and of the regulatory regime operated by the Pension Regulator and would have regard, as appropriate, to factors relating to the defined benefit pension schemes on any sale.

In summary, since Amey's last set of financial statements for the year ended 2019 signed in June 2020, Ferrovial has extinguished substantial loans to the Group and provided additional equity. The Group has also settled all the sums due in 2019 and 2020 in respect of the Birmingham contract. The Directors believe that Amey is in a stable operating environment with clear evidence that Ferrovial continues to be a supportive shareholder who will ensure that Amey continues to operate successfully for the foreseeable future.

2 Accounting policies (continued)

Other principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Revenue recognition

Revenue is the total amount receivable by the Company for goods supplied and services provided, excluding VAT and trade discounts.

Investment in subsidiary undertakings

Investments by the Company in the shares of subsidiary undertakings are stated at cost less accumulated impairment losses.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

Financial instruments

Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component, and which are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for applicable transaction costs. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: amortised cost; fair value through profit or loss (FVTPL); or fair value through other comprehensive income (FVOCI). The classification is determined by both the Group's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

(a) Financial assets at amortised cost - financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL): they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest.

(b) Financial assets at FVTPL - financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

(c) Financial assets at FVOCI - the Group accounts for financial assets at FVOCI if the assets meet the following conditions: they are held under a business model whose objective is 'hold to collect' the associated cash flows and the contractual terms of financial assets give rise to cash flows that are solely payments of principal and interest. Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon de-recognition of the asset.

2 Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL. Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between: Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk; Stage 2 - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low; and Stage 3 - financial assets that have objective evidence of impairment at the reporting date. Twelve-month expected credit losses are recognised for the first category while lifetime expected credit losses are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(a) Trade and other receivables - trade receivables are initially recognised and carried at the lower of their original invoiced value and recoverable amount. Balances are written off when the probability of recovery is remote. The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Group uses historical experience, external indicators and forward-looking information to calculate the expected credit losses. The Group assesses impairment of trade receivables on a collective basis. Where they possess shared credit risk characteristics, they have been grouped based on industry sector global default rates.

(b) Intercompany loans receivable - intercompany advances to other Group companies are all held to maturity, neither parties have an option to call or prepay the loan before the contracted maturity date. Such assets are held under a business model to hold and collect contractual cash flows and therefore meet the 'solely payments of principal and interest' test. No embedded derivatives are currently recognised in these advances, and the amortised cost classification is not impacted. All intercompany advances are assessed for impairment under the ECL model.

Classification and measurement of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that provides a residual interest in the assets of a business after deducting all other liabilities.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL. Subsequently, financial liabilities are measured at amortised cost using the effective interest rate (EIR) method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments). All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs.

2 Accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

(a) Borrowings - borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they form part of a fair value hedge relationship. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the EIR method. Borrowings being novated or cancelled and re-issued, with a substantial modification of the terms, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any resulting gain or loss recognised in the income statement.

(b) Trade and other payables - trade and other payables are non-interest bearing and are stated at their fair value and subsequently measured at amortised cost using the EIR method.

(c) Derivative financial instruments and hedging activities - derivatives are initially recognised at fair value on the date a derivative contract is entered and are subsequently re-measured at their fair value. Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet the following requirements: there is an economic relationship between the hedged item and the hedging instrument; and the effect of credit risk does not dominate the value changes that result from that economic relationship. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives either as fair value hedges, where they hedge exposure to changes in the fair value of the hedged asset or liability or as cash flow hedges, where they hedge exposure to variability in cash flows that are attributable to a risk associated with any changes in the fair value of the hedged asset, liability or forecasted transaction. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents, both at hedge inception and on an ongoing basis, its assessment of whether the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair value of a derivatives is classified as a non-current asset or liability when the remaining maturity is more than 12 months and as a current asset or liability where it is less than 12 months.

(d) Fair value hedge - all hedging relationships that were hedging relationships under IAS 39 at the 31 December 2017 reporting date meet the IFRS 9's criteria for hedge accounting at 1 January 2019 and are therefore regarded as continuing hedging relationships. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value gains and losses on any underlying hedged items that are part of a fair value hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the EIR method is used is amortised in the income statement over the period to maturity.

(e) Cash flow hedge - the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in OCI and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When or if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2 Accounting policies (continued)

Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

(f) Derivatives at fair value through profit and loss - certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the income statement. When derivatives are designated in a hedge relationship, the net interest payable or receivable on those derivatives is recorded net of the interest on the underlying hedged item in the income statement. When derivatives are not in a hedge relationship, the fair value changes on these derivatives are recognised within fair value gains or losses on financial instruments in the income statement. The interest payable and receivable on those derivatives are recorded at their net amount in finance costs in the income statement.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Cash at bank and in hand

Cash at bank and in hand includes cash and deposits with banks. Bank overdrafts are shown within borrowings in current liabilities.

Creditors

Obligations to pay for goods and services are recognised initially at fair value and subsequently measured at amortised cost.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Grants that compensate the Company for expenses incurred are recognised in the income statement in the relevant financial statement line on a systematic basis in the periods in which the expenses are recognised to present the net expense to the Company.

Pension costs - defined contribution schemes

All contributions to defined contribution schemes are recognised as an expense when they fall due.

2 Accounting policies (continued)

Post-employment benefit obligations - defined benefit pension schemes

The Company accounts for post-employment benefits arising on defined benefit pension schemes in accordance with IAS 19.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return that the Directors consider would be available on a high-quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The net return on the scheme assets and the increase during the year in the present value of the scheme liabilities arising from the passage of time is included in finance costs. The Company recognises actuarial gains and losses directly in other comprehensive income and these are therefore shown in the statement of comprehensive income (SOCI).

Pension scheme deficits, to the extent that they are considered payable, are recognised in full and presented as part of provisions for liabilities.

3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's existing accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

The Company believes that the most critical accounting policies and significant areas of judgement and estimation arise from the accounting for post-employment benefits arising on defined benefit pension schemes under IAS 19 (Employee Benefits) and impairment of investment in subsidiary undertakings including amounts due from fellow group undertakings.

IAS 19:

Post-employment benefit obligations arising on defined benefit pension schemes are accounted for in accordance with the advice of independent qualified actuaries, but significant estimates arise with regard to the assumptions used in the actuarial calculation of pension and other obligations to employees and inherent estimation uncertainty arises from predicting levels of mortality and inflation /discounting assumptions.

Impairments of investment in subsidiary undertakings and amounts due from fellow group undertakings:

Management have assessed the carrying value of investments in subsidiary undertakings and the amounts due from fellow group undertakings for any change in the level of impairment provision against carrying value. For operating companies, the assessment considers whether the carrying value of the investment or receivable exceeds its recoverable amount which is the higher of the fair value of the investment or receivable and its value in use. The value in use is calculated using the present value of the future cash flows incorporating variations in the amount and timing of cash flows, time value of money, price for bearing the inherent uncertainty in the asset and other factors such as illiquidity. For non-operating companies the impairment provision reflects the net asset position of the related subsidiary undertaking.

4 Revenue

Revenue is wholly attributable to the principal activity providing employment services on behalf of Amey UK plc Group companies. The costs of the employees are fully recharged to other Amey UK plc Group companies. All revenue arises solely in the UK.

5 Employees and Directors

	2020 £'000	2019 £'000
Wages and salaries	441,959	483,308
Social security costs	46,642	45,339
Other pension costs – defined contribution schemes	28,169	27,056
Other pension costs – defined benefit schemes	1,122	3,211
	517,892	558,914

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

	2020	2019
Contract-based employees	12,973	13,766
Management and administration	647	640
Total	13,620	14,406

The equivalent average monthly number of employees working full time would be as follows:

	2020	2019
Total full-time equivalent (FTE)	12,700	13,316

FTE is where a full-time employment role is fulfilled by a number of part-time employees.

Details of the remuneration of the Directors, whose services are of a non-executive nature and who are also directors of the Company's intermediate parent undertaking, Amey UK plc, are disclosed in that company's financial statements. Their remuneration is deemed to be wholly attributable to their services to that company.

The Company operates principally as an employment agent on behalf of Amey UK plc Group companies. All costs of employees are fully recharged to other Group companies.

During the year, the Company received Government grants in respect of the Coronavirus Job Retention Scheme to the value of £4,647,000 (2019 - £nil).

6 Provision for investments in fellow group companies

	2020 £'000	2019 £'000
(Release)/charge for the year	(28,647)	148,026

Further detail on the change in investment provision recorded in the year is included in note 11.

7 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest receivable from fellow group undertakings	195	509

8 Finance expense

	2020 £'000	2019 £'000
Other interest payable	-	806
Interest payable to fellow undertakings	776	-
Finance expense on post-employment benefit obligations	87	287
	863	1,093

9 Profit/(loss) before taxation

The profit/(loss) before taxation is stated after (crediting)/charging:

	2020 £'000	2019 £'000
(Release)/impairment charge of equity investment loan (see note 6)	(28,647)	148,026
Government grant in respect of Covid-19 furlough scheme	(4,647)	-
Charges arising under post-employment benefit obligations	1,209	3,498

The auditor's remuneration is borne by Amey Group Services Limited, a fellow subsidiary undertaking of the Company, and is not recharged. The allocation to the Company of the auditor's fees, which are attributable solely to the audit of these financial statements, is £51,000 (2019 - £35,000).

10 Taxation

	2020	2019
Analysis of tax expense	£'000	£'000
Current tax		
Tax - current year	881	1,327
Tax - adjustment in respect of prior periods	(134)	578
Total current tax	747	1,905
Deferred tax - current year charge	3,076	2,388
Deferred tax – credit relating to changes in tax laws	1,433	-
Deferred tax - adjustment in respect of prior period	(43)	375
Total deferred tax	4,466	2,763
Total tax expense in income statement	5,213	4,668

10 Taxation (continued)

Factors affecting the tax expense

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%).

The differences are reconciled below:

	2020 £'000	2019 £'000
Profit/(loss) before income tax	46,994	(131,164)
Tax on profit/(loss) calculated at standard rate	8,929	(24,920)
Effects of:		
(Decrease)/increase in tax from adjustment for prior periods	(177)	953
Expenses not deductible/(income not taxable)	475	792
Tax effect of asset impairments not deductible in determining taxable profits	(5,442)	28,124
Deferred tax credit relating to changes in tax rates or laws	(45)	-
Difference between deferred tax rate and standard tax rate	1,473	(281)
Tax expense	5,213	4,668

Tax effects relating to effects of other comprehensive income/(expense)

	Gross £'000	Tax £'000	2020 Net £'000
Actuarial loss on pension scheme	(50,576)	11,340	(39,236)
Total Comprehensive income/(expense)	(50,576)	11,340	(39,236)

	Gross £'000	Tax £'000	2019 Net £'000
Actuarial loss on pension scheme	(7,996)	1,359	(6,637)
Total Comprehensive income/(expense)	(7,996)	1,359	(6,637)

On 11 March 2021, Finance Bill 2021 was published which includes provision for the main rate of UK Corporation Tax to increase to 25% from 1 April 2023. As the rate change will be enacted after the balance sheet date, it is a non-adjusting post balance sheet event. However, the impact of recognising deferred tax at the new rate applicable when the deferred tax is forecast to crystallise would be an increase to the net deferred tax asset of £2,900,000 at 31 December 2020.

11 Investments

On 30 July 2019, the Company granted loan facilities totalling £148,026,000 to fellow group undertakings, Amey LG Limited and Enterprise plc, for £55.2 million and £92.8 million respectively. These are perpetual investment loans with an applicable interest rate of 12-month LIBOR plus 200 basis points, payment of which is at the discretion of loan grantees.

	Investment in fellow group companies £'000
Equity loans to fellow group companies	
At 1 January 2020 and at 31 December 2020	148,026
Provision for impairment	
At 1 January 2020	148,026
Release in the year	(28,647)
At 31 December 2020	119,379
Carrying amount	
At 31 December 2020	28,647
At 31 December 2019	-

The carrying value of the equity investment loans made during 2019 was impaired in full in 2019. At 31 December 2020 following a detailed impairment review it was decided to revalue the equity investment loans by £28,647,000 to reflect improving trading conditions.

A credit arose in 2020 in respect of the provisions against impairments of investments in subsidiary and other group undertakings of £28,647,000 (2019 - £148,026,000 charge). These provisions reflect the difficult trading conditions experienced by some of the Group's principal operating subsidiaries, though the outlook has considerably improved following the exit from loss-making contracts by the Amey Group and as a result of additional capital contributions made to those group companies in need of support. During the year, management has reassessed the carrying value of investments in group undertakings and the amounts due from fellow group undertakings for any change in the level of impairment provision against carrying value. For operating companies, the assessment may also consider whether the carrying value of the investment or receivable exceeds its recoverable amount which is the higher of the fair value of the investment or receivable and its value in use. The value in use is calculated using the present value of the future cash flows incorporating variations in the amount and timing of cash flows, time value of money, price for bearing the inherent uncertainty in the asset and other factors such as illiquidity. For non-operating companies the impairment provision reflects the net asset position of the related investment.

The recoverable amounts are based on value-in-use which reflects forecast cash flows as derived from approved budgets and plans for the next five years. The future cash flows are based on the completed Budget 2021 and the 2022-2025 Strategic Plan. Residual values have also been included which are based on the normalised activity cash flow plus a growth factor. The growth rate used has been 1.75% (2019: 1.75%). The underlying assumptions of these cash flows are based on the existing contract order book, management's past experience and on probability ratios for new business generation. The cash flows have been discounted using a risk-based discount rate of 9.76% (2019: 10.5%). This pre-tax discount rate is a measure based on the 10-year UK bond rate adjusted for a risk premium to reflect both the increased risk of investments generally in the sector.

12 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade debtors	82	577
Amounts owed by other fellow subsidiaries of the Amey UK plc group	17,510	42,819
Amounts owed by parent undertaking of the Company	25,065	-
Amounts owed by joint ventures	14	69
Other debtors	392	1,076
	43,063	44,541
Amounts falling due after more than one year:		
Deferred tax asset (see note 15)	9,407	2,533
Aggregate amounts	52,470	47,074

Amounts owed by group undertakings are repayable on demand and bear interest at a market rate of 0.4% (2019 - 0.4%). There is no difference between the book value and the fair value of amounts owed by group undertakings.

Amey Services Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	49	25
Social security and other taxes	16,634	17,055
Amounts owed to other fellow subsidiaries of the Amey UK plc group	-	72
Amounts owed to parent undertaking of the Company	776	980
Other creditors	6,466	8,357
Accruals and deferred income	187	106
	24,112	26,595

Amounts due to fellow group undertakings are unsecured and are payable on demand and bear interest at a market rate of 1.9% (2019 – 1.9%). There is no difference between the book value and the fair value of amounts owed to group undertakings.

14 Provisions for liabilities

	2020 £'000	2019 £'000
Post-employment benefit obligations (see note 17)	47,574	12,915

15 Deferred tax asset

The deferred tax asset arises in respect of:

	Other timing differences	Post-employment benefit obligations	Total
	£'000	£'000	£'000
Balance at 1 January 2020	338	2,195	2,533
Credited to other comprehensive income	-	11,340	11,340
(Charged)/credited to income statement	31	(4,497)	(4,466)
At 31 December 2020	369	9,038	9,407

	2020	2019
	£'000	£'000
Deferred tax asset comprises:		
Other timing differences	369	338
Post-employment benefit obligations	9,038	2,195
Balance at 31 December	9,407	2,533
Falling due after more than one year	9,407	2,533

The Company has recognised deferred tax assets only in respect of other timing differences and net pension schemed deficits as the reversal of those items is foreseeable in future periods. All deferred tax assets have been recognised in full.

All deferred tax assets have been measured at a rate of 19% (2019 - 17%).

16 Share capital

Ordinary shares of £1 each	Number	£'000
Authorised issued and fully paid at 31 December 2019	157,200,002	157,200
Authorised issued and fully paid at 31 December 2020	157,200,002	157,200

17 Post-employment benefit obligations

The Company operates a number of defined contribution pension schemes for the benefit of employees and Directors. Trustees or product providers administer the assets of the funded schemes in funds independent from those of the Company. Pension costs in respect of schemes offering defined benefits are assessed in accordance with the advice of independent, qualified actuaries. External professional pension administrators normally conduct the administration of these schemes. In addition, the Group provides unfunded unapproved retirement benefits to a small number of former employees.

The principal defined benefit schemes are as follows:

- Amey OS Pension Scheme APS section previously offered to eligible staff that had not been transferred into the Group via acquisition or outsourcing. However, this scheme does include staff that transferred out of the Ministry of Defence at the time the Comax business separated from the Defence Evaluation and Research Agency. This scheme is closed to new entrants and future accrual ceased for existing members with effect from 5 April 2012
- Railways Pension Scheme this is an industry-wide pension scheme for railways employees and provides for those eligible employees who are working within Amey Rail Limited, Amey OWR Limited or elsewhere in the Group. Amey has two shared-cost sections; the Amey Rail and Owen Williams Sections. The Group accounts for its share of the separately identified assets and liabilities of these Sections and the Group cannot be held liable for the obligations of other entities that participate in this scheme and as such only makes contributions in respect of its sections.
- Citrus Pension Scheme, this scheme is now closed to new entrants and future accrual ceased for existing members with effect from 31 October 2016. The Group accounts for its share of the separately identified assets and liabilities of this scheme.

Given the similar characteristics of the principal defined benefit schemes, the schemes have been combined in these disclosures for presentational purposes.

For schemes that are closed to new entrants, the current service costs as a percentage of pay are expected to rise significantly as members approach retirement.

The Group's various defined benefit pension schemes are regulated by The Pensions Regulator under the UK regulatory framework. The corporate Trustees of the schemes are responsible for carrying out triennial funding valuations, with the advice of an independent, qualified actuary, in order to set the contributions due to the schemes. The Trustees are also responsible for ensuring that the schemes are appropriately managed and that members' benefit entitlements are secure. The Trustees' other duties include administration of scheme benefits and investment of scheme assets (subject to appropriate consultation with the Group). The Group works closely with the Trustees to manage the pension schemes but has no representation on the Trustee Boards.

17 Post-employment benefit obligations (continued)

Past service costs/credits have been recognised in respect of plan amendments, namely:

- A past service cost of £0.4m has been recognised for the APS section of the Amey OS Pension Scheme in respect of GMP equalisation for historical transfers out of the Scheme, following the latest legal judgment in the Lloyds equalisation case dated 20 November 2020. No past service costs have been recognised for the other schemes as the impact has been judged to be immaterial.

- In December 2020, following agreement with the appropriate membership bodies and the Trustees, the cap on future pensionable salary increases for members of both of the Group's sections of the Railways Pension Scheme was reduced from the lower of the increase in Retail Prices Index limited or 2.25% pa to a lower cap of 0.50% p.a., resulting in a past service credit of £2.1m to be recognised in the financial statements.

The Group has determined that it has a right to the refund of surplus on wind-up from each of the principal defined benefit pension schemes and has therefore recognised any balance sheet surpluses that have emerged at the balance sheet date.

The latest actuarial funding valuations of the Company's principal defined benefit schemes have been updated by the actuaries to 31 December 2020 on a basis consistent with the requirements of IAS 19. In particular, scheme liabilities have been discounted using the rate of return on high quality bonds rather than the expected rate of return on the assets used in the scheme funding valuations. The latest scheme funding valuations were carried out on the dates indicated below.

	Date of Valuation
Amey OS Pension Scheme - all sections	30 September 2017
Railways Pension Scheme	31 December 2016
Citrus Pension Scheme	31 March 2018

The principal actuarial assumptions used are as follows:

	2020 %	2019 %
Rate of increase in salaries	Nil to 0.45	Nil to 1.85
Rate of increase in pensions in payment	2.45 – 5.00	1.60 - 3.65
Discount rate	1.25	2.05
Inflation assumption - RPI	2.80	3.05
Inflation assumption – CPI – pre 2030	1.80	2.05
Inflation assumption – CPI – post 2030	2.70	2.05

17 Post-employment benefit obligations (continued)

The mortality assumptions have been updated in the year and life expectancies are as follows:

	2020 Years	2019 Years
Remaining life of a member aged 65		
- men	21.8 - 23.4	19.7 - 23.5
- women	23.8 – 25.0	23.3 - 26.2
Remaining life of a member aged 45		
- men	23.2 - 26.2	21.1 - 26.3
- women	25.3 – 26.5	24.8 - 28.6

The duration of a scheme is an indicator of the weighted-average time until benefit payment will be made. For the schemes in aggregate, the duration is around 18.0 years reflecting the appropriate split of the defined benefit obligation between current employees, deferred members and pensioners.

The amount recognised in the balance sheet was as follows:

	2020 £'000	2019 £'000
Fair value of scheme assets	800,891	742,475
Present value of funded obligations	(848,465)	(754,930)
	(47,574)	(12,455)
Present value of unfunded obligations	-	(460)
Liability on the balance sheet	(47,574)	(12,915)

Any surpluses in the schemes have been recognised on the basis that the Group has determined that it has a right to a refund of a surplus from all schemes under IFRIC 14.

The amount recognised in the income statement was as follows:

	2020 £'000	2019 £'000
Current service cost	2,176	2,665
Past service credit	(1,723)	-
Pension scheme administration costs	669	546
Finance expense	87	287
Total income statement charge	1,209	3,498

Pension expense, excluding interest, is charged to cost of sales. The best estimate of the contributions expected to be paid to the defined benefit pension scheme for the next financial year is £2,307,000 (2019 - £2,584,000) for regular payments and £15,295,000 (2019 - £15,178,000) for additional top-up payments.

17 Post-employment benefit obligations (continued)

The amount recognised in other comprehensive income was as follows:

	2020 £'000	2019 £'000
Actuarial losses	(50,576)	(7,996)
Total expense recognised in the SOCI	(50,576)	(7,996)

Actuarial gains and losses have been reported in the SOCI. The Company's share of the actual performance of fund assets was an increase of £69,446,000 (2019 - increase of £78,914,000).

The movements in the balance sheet liability were as follows:

	2020 £'000	2019 £'000
At 1 January	(12,915)	(18,968)
Total income statement charge	(1,209)	(3,498)
Total expense recognised in the SOCI	(50,576)	(7,996)
Employer contributions	1,687	2,276
Employer contributions - additional top-up payments	15,439	15,271
At 31 December	(47,574)	(12,915)

Scheme obligations

The movements in the present value of fund obligations were as follows:

	2020 £'000	2019 £'000
Present value at start of year	755,390	688,389
Service cost, including employee's share	2,193	2,692
Curtailment of pension obligations	(1,723)	-
Actuarial gains arising from changes in financial assumptions	104,973	65,777
Actuarial (losses)/gains arising from experience adjustments	(60)	2,138
Interest cost	15,195	19,282
Benefits paid	(27,503)	(22,888)
Present value at end of year	848,465	755,390

17 Post-employment benefit obligations (continued)

Scheme obligations (continued)

Scheme assets

The movements in the fair value of fund assets were as follows:

	2020 £'000	2019 £'000
Fair value at start of year	742,475	669,421
Interest on assets	15,109	18,995
Actuarial gains and losses arising from changes in financial assumptions	54,337	59,919
Employer contributions - regular payments	1,687	2,276
Employer contributions - additional top-up payments	15,439	15,271
Contributions by scheme participants	17	27
Benefits paid	(27,503)	(22,888)
Administration expenses paid	(670)	(546)
Fair value at end of year	800,891	742,475

Analysis of assets

The fair values of the assets held by the various schemes were as follows:

	2020 £'000	2019 £'000
Cash and cash equivalents	(5,072)	30,888
Equities	227,349	214,258
Property	45,433	44,927
Corporate bonds	155,312	132,254
Government bonds	377,869	320,148
	800,891	742,475

The assets held by the various schemes do not directly include any of the Company's or Group's own financial instruments, nor any property occupied by, nor any other assets used by the Company or Group.

Sensitivity analysis

The sensitivity of the balance sheet position to changes in the key assumptions based on a reasonable approximation of possible changes is set out below. The sensitivities have been calculated using the same approach as at the previous year end, which involves calculating new values for the liabilities and assets under the scenarios set out below, whilst keeping all other assumptions constant.

	Increase in liability on the balance sheet £'000
+0.5% change to the RPI assumption	50,141
-0.5% change to discount rate assumed	64,788
Members' life expectancy increases by one year	26,398

17 Post-employment benefit obligations (continued)

The key risks impacting the Group's pension schemes are set out below:

Investment Risk: The Schemes' accounting liabilities are calculated using a discount rate set with reference to the yield available on high-quality corporate bonds as required by the standard. If the Schemes' assets underperform this yield, this will cause a deficit to emerge in the Schemes over time. The Schemes hold growth assets, such as equities, property and hedge funds. These asset classes are expected to outperform corporate bonds over the long-term but are more volatile and generate risk for the Schemes in the short-term. However, the Schemes hold a diversified portfolio of assets to minimise this risk. The Schemes also hold insurance policies in respect of some pensioner members for the sections of the Amey OS Pension Scheme. These policies broadly match the benefits provided by the Schemes in respect of the covered members, and therefore act to reduce investment risk. The Group has ensured that a robust investment management framework is in place to mitigate as much as possible the risks associated with the investment strategy.

Changes in bond yields: A decrease in corporate bond yields will increase the value placed on the Schemes' liabilities. This will be partially offset by an increase in the value of the Schemes' holdings in Liability-Driven Investments (LDI), gilts, corporate bonds and insurance policies, which the Schemes hold in order to match some of the movement in their liabilities. However, some of the assets held to match movements in liabilities are held to match movements in gilt yields. This will match movement in the accounting liabilities to the extent that the corporate bond yields move alongside gilt yields. As such the Schemes are exposed to movement in the spread between gilt yield and corporate bond yields.

Inflation risk: Many of the Schemes' benefits are linked to inflation so higher expectations of future inflation leads to a higher value being placed on the liabilities. However, there are caps on the level of inflationary increases which protect the Schemes in the extent of extreme inflation. The Schemes each hold assets to match a specified proportion of movements in inflation. The remainder of the assets are unaffected by (i.e. fixed interest bonds) or loosely correlated with (i.e. equities and property) inflation, meaning that an increase in inflation will also increase the deficit. The extent to which the Schemes' liabilities move due to inflation varies on a scheme by scheme basis, influenced by the benefits provided by the individual pension schemes. Liabilities will also increase should actual inflation be higher than expected in the liability valuation. No account has been taken of the UK Government's proposed change in the inflation RPI to CPIH. As at 31 December 2020, this was only a proposal and was not certain.

Life expectancy: The Schemes' obligations are to provide benefits for the life of the member after retirement and their spouse following the member's death. As a result, higher life expectancies will lead to a higher value being placed on the liabilities. This is particularly relevant where the Schemes have significant inflationary increases, as this results in a higher sensitivity to changes in life expectancy. The Group notes that this is a risk to which any defined benefit pension scheme is exposed, and that, alongside the Trustee of the Amey OS Pension Scheme, it has taken steps to mitigate risk through purchasing insurance policies in respect of a portion of the Amey OS Pension Scheme's membership. Holding insurance policies in respect of some pensioner members reduces the sensitivity to changes in life expectancies, but this remains a risk in respect of non-pensioner members of the Schemes whose obligations are more sensitive to increases in future improvements in life expectancies and are not covered by the insurance policies. Following the Government's announcement in November 2020 that RPI would be aligned with CPIH from 2030, the approach for deriving the inflation assumptions has changed. There is a different approach to pre- and post- 2030 assumptions with a term-dependent approach for deriving the CPI assumption and the Inflation Risk Premium has increased from 0.20% to 0.40%.

18 Contingent liabilities

As a member of the Amey UK plc Group of Companies, the Company is a participating guarantor in respect of certain Group borrowings, bank account pooling arrangements, Group VAT registrations and HMRC UK Corporation Tax Group Payment arrangement and is jointly and severally liable with other group companies for the total Group balances outstanding. At 31 December 2020, the only net liabilities arising across the Amey Group were £nil (2019 - £64,000,000) in respect of Group borrowings and £56,824,000 (2019 - £31,332,000) in respect of VAT.

Losses, for which no provision has been made in these financial statements, which might arise from litigation in the normal course of business are not expected to be material in the context of these financial statements.

There were no other contingent liabilities at 31 December 2020 or at 31 December 2019.

19 Capital commitments

The Company had no capital commitments at 31 December 2020 or at 31 December 2019.

20 Controlling parties

The immediate parent undertaking is Amey plc.

The ultimate parent undertaking, the ultimate controlling party and the largest group to consolidate these financial statements is Ferrovial, S.A., a company incorporated in Spain.

The Company is wholly owned by both the immediate and ultimate parent undertaking.

Copies of the Ferrovial, S.A. consolidated financial statements can be obtained from the Ferrovial, S.A. registered office as follows:

Ferrovial, S.A.
Principe de Vergara, 135
28002 Madrid
Spain

or from the Ferrovial, S.A. website: www.ferrovial.com

The parent of the smallest group in which these financial statements are consolidated is Amey UK plc, incorporated in England and Wales.

Copies of those consolidated financial statements can be obtained from the registered office of Amey UK plc:

The Company Secretary
Amey UK plc
Chancery Exchange
10 Furnival Road
London EC4A 1AB
United Kingdom