

**Accord Environmental Services Limited**

Company number: 03021731

Annual Report and Financial Statements

For the year ended

31 December 2019



**Accord Environmental Services Limited**

**Annual Report and Financial Statements for the year ended 31 December 2019**

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**Company number**

03021731

**Directors**

P Birch  
K J Jarvey  
A L Nelson

**Company Secretary and Registered Office**

P Birch  
Chancery Exchange  
10 Furnival Street  
London, EC4A 1AB  
United Kingdom

The Directors present their Strategic Report for the year ended 31 December 2019.

**Principal activities**

The Company was principally engaged as a holding company. The Company has not traded and no change to this position is anticipated for 2020.

**Review of business and future developments**

The Company has not traded during the current or preceding financial year and accordingly no income statement has been presented. No change to the dormant status of the Company is expected for the foreseeable future.

**Post balance sheet events**

*COVID-19 pandemic impact on the Amey Group (the "Group")*

Since the year end, the global COVID-19 pandemic has led to significant challenges for the Group to meet, particularly with regards to ensuring the health and safety of employees. The Group has been able to keep large parts of the business fully operational with a maximum of 755 employees furloughed to date during this period of uncertainty and the Group also secured the necessary PPE to protect the workforce. Operational practices have been adapted to meet the guidelines on social distancing and minimising contacts. Reduced volumes of work have been noted and appropriate actions have been taken to utilise the various UK Government initiatives to assist the economy. For more information on the impact of COVID-19 on the Group, please see note 12 to the financial statements.

There have been no other events since the balance sheet date which materially affect the position of 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 2019 (see also the Corporate Governance statement and a detailed s172 statement on the Amey Group's website: [www.amey.co.uk](http://www.amey.co.uk) and the Amey UK plc 2019 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;
- (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 2019 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 4 November 2020 and signed on its behalf by:



P Birch  
Director  
4 November 2020

## **Accord Environmental Services Limited**

### **Report of the Directors for the year ended 31 December 2019**

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The Directors present their Report together with the unaudited financial statements of the Company for the year ended 31 December 2019.

#### **Dividends**

No dividends were paid by the Company during the year (2018 – £nil).

#### **Directors**

The Directors of the Company during the year, and up to the date of this report, were:

P Birch  
A L Nelson  
K J Jarvey (appointed 12 December 2019)

#### **Directors' indemnity**

Directors and Officers of the Company benefit from directors' and officers' liability insurance cover in respect of legal actions brought against them. 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.

#### **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 Accounting Standards (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 then 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.

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

Approved by the Board on 4 November 2020 and signed on its behalf by:



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P Birch  
Director  
4 November 2020

Balance Sheet at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Investment in subsidiary undertakings	6	1,000	1,000
Total fixed assets		1,000	1,000
Current assets			
Trade and other receivables	7	1,000	1,000
Total current assets		1,000	1,000
Creditors: amounts falling due within one year	8	(1,000)	(1,000)
Net current assets		-	-
Total assets less current liabilities		1,000	1,000
Net assets		1,000	1,000
Equity			
Share capital	9	1,000	1,000
Total shareholders' funds		1,000	1,000

The notes on pages 6 to 14 form part of these financial statements.

The Company did not trade during the current or preceding period and accordingly no income statement has been presented. The Company made neither a profit or loss nor had any other recognised gain or loss.

The Company is exempt from the requirements relating to preparing audited accounts in accordance with section 480 of the Companies Act 2006.

The members have not required the Company to obtain an audit of the accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The Directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of accounts.

The financial statements on pages 4 to 14 were authorised for issue by the Board of Directors on 4 November 2020 and were signed on its behalf by:



P Birch  
Director  
4 November 2020

**Accord Environmental Services Limited**

**Statement of Changes in Equity for the year ended 31 December 2019**

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	Share capital £	Total £
	<hr/>	<hr/>
Balance at 1 January 2018, at 31 December 2018 and at 31 December 2019	<u>1,000</u>	<u>1,000</u>

The notes on pages 6 to 14 form part of these financial statements.

**1 General information**

The principal activity of Accord Environmental Services Limited (the Company) is as a holding company and the Company is a dormant company. The Company is a private company and is incorporated and domiciled in the UK. The address of the registered office is Chancery Exchange, 10 Funnival Street, London, EC4A 1AB, United Kingdom.

**2 Basis of consolidation, preparation and going concern**

**Basis of consolidation**

The Company is exempt from preparing consolidated financial statements under section 400 of the Companies Act 2006 on the grounds that it is itself a wholly owned subsidiary undertaking of a company registered in England and Wales. These financial statements, therefore, present information about the individual undertaking and not about its group. These financial statements are separate financial statements.

**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 2019, the following standards which might have an impact on the financial statements came into force in the European Union and have subsequently been approved for use in the United Kingdom: IFRS 16 Leases, amendments to IFRS 9, IFRS 19 and IAS 28, IFRIC Interpretation 23 and Annual Improvements to IFRS 2015-2017 cycle. No significant impact on the Company financial statements has been identified because of these amendments.

New standards or interpretations applicable to the Company for accounting periods commencing on or after 1 January 2020 are not expected to have a material impact on the Company.



**2 Basis of consolidation, preparation and going concern (continued)**

**Basis of preparation(continued)**

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 Basis of consolidation, preparation and going concern (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 borrowings and liabilities of the Group as described in note 11. 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.

The Directors have considered the implications behind the Amey Group's strategic decision to divest the Company. This decision does not impact the Company's day to day operations. Amey has confirmed to the Company 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, Amey will maintain its shareholding in the Company for that period.

The Group's key external banking facilities are through five five-year 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 (Abbey National Treasury Services plc). 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 £23 million with The Royal Bank of Scotland plc which matures in June 2021 following an increase from £12 million and renewal for a further year.

At 31 December 2019, £96 million of these facilities were undrawn and the Group also held £58 million of unrestricted cash on the Group balance sheet. Although the average net debt balance of the Group during 2019 was £30 million, the payments made to Birmingham in the latter half of last year has meant that the headroom available to the Group has reduced.

Since the year end, the financial strength of the Group has been strengthened by the conversion of £169.0 million of existing loans from Ferrovial to equity loan on 26 February 2020 with no fixed repayment date, and by the deferral of the repayment of £85.0 million of other loans from Ferrovial for a further year to 31 July 2021.

In light of this reduced headroom, the Directors of the Group have reviewed a number of factors including:

- the future business plans of the Group (comprising the budget for 2020 and the strategic plan for 2021 to 2024);
- 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 2020; and
  - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case forecast for the implications arising from the assets held for sale status of the non-core business units, various Group restructuring plans, reasonably possible adverse variations in performance, reflecting the ongoing volatility in UK trading performance and sector dynamics.

The RWC forecast looks at the following key sensitivities:

- a reduction to the Group's EBITDA of £15 million per quarter for the 2021 financial year;
- additional sensitivity around the timing of receipts;
- assumption allowing for a more pessimistic view of trade payables;
- a delay in the dates budgeted for the sale of the non-core businesses; and
- repayment of up to £55 million of the Group's banking facilities.

The Group's cash flow forecasts show that there is sufficient liquidity to enable it to continue trading should the above sensitivities materialise. Management has also modelled the impact of several additional one-off sensitivities such as the implication arising from contractor failures, treatment plant stability, lower sale proceeds and COVID-19 and concluded that it has enough headroom to manage these events. There are also a number of actions that management can take in order to mitigate any significant reduction in headroom from these one-off sensitivities, including delaying Ferrovial management fees and interest and also payments to suppliers.

## 2 Basis of preparation and going concern (continued)

### Going concern - continued

The Board has also considered the implications behind the continued strategic decision of Ferrovial to divest its Services portfolio, recently reconfirmed in February 2020. 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. The impact on Amey's financing arising from a change of control would be as follows:

- Amey's external facilities totalling £160 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;
- The £55 million consideration still outstanding to Amey Birmingham Highways Limited would be immediately payable under the terms of the settlement agreement; and
- Amey's facilities due to our parent company, Ferrovial, as described earlier in this report, would be due for repayment if this debt was not transferred or extinguished on sale.

Notwithstanding the above, the Board of Amey no longer consider that there is material uncertainty in its going concern status in the event of a sale. In making this decision the Board has assessed the following points.

- As forecast, in the second half of 2019 the Group has paid the £160 million to Birmingham City Council. £75 million was provided by Ferrovial and the balance was from the Group's own resources;
- 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 have given 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 £135 million of additional funding in the last two 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 do anything to jeopardise its reputation such as a fire-sale at undervalue;
- Ferrovial is also 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; and
- Ferrovial's chief executive has stated 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 other alternative plans for the business. 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.

The Directors have also noted the evidence of Ferrovial's continuing commitment as set out below.

- Ferrovial extinguished a further £169 million of its loans to the Group on 26 February 2020 which were replaced with an equity loan with no fixed repayment date;
- Ferrovial have agreed to the deferment of the remaining loans of £85 million for a further year to 31 July 2021;
- Ferrovial has provided the Board with confirmation that it will continue to defer payment of management fees;
- Ferrovial supports Amey in its decision to dispose of its non-core business in order to simplify and de-risk the Group; and
- Ferrovial confirmed to the Board that if it is unable to find a buyer it can demonstrate has plans to ensure that the Amey will continue to be able to meet its liabilities under its external financing facilities and under the settlement agreement with Birmingham City Council as they fall due during the period of 12 months from the date of approval of these financial statements, and Ferrovial will maintain its shareholding in Amey for that period.

## **2 Basis of preparation and going concern (continued)**

### **Going concern - continued**

In summary, since Amey's last set of financial statements for the year ended 2018 signed in July 2019, Ferrovial has provided additional equity, additional funding and a letter of comfort to the Board regarding the outcome of any sale process. The Group has also settled all the sums due in 2019 in respect of the Birmingham contract. This is a material change to the position that existed at the time of the approval of the previous set of financial statements. 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.

Over the last few weeks, the Group has been updating the RWC forecast to incorporate the potential impact of COVID-19 on its cash flows. Management have looked at both a moderate and a severe revenue shortfall scenario and both of these scenarios have been further sensitised under the assumption that there is a return to normal trading over a medium term and over a longer term. The impact on the forecast profits of the Group of the above scenarios is a range between £30 million and £50 million. The main variables considered to quantify the range of £30 to £50m range of pandemic impact have been the extent of operational disruption, the potential for diminished volumes, contract modifications (changes in the economic activity caused by the pandemic causing the renegotiation of the terms of existing contracts and arrangements) and the impact of lower performance on the gain-share mechanisms of the contracts. The operational disruption and potential diminished volumes have been assessed in a moderate and severe scenario. In the moderate scenario, we have seen a 20-30% reduction in volumes during lock down period and then gradual recovery of the business activity. In the severe scenario, a 50%-60% reduction of the labour force would be out of action during lock down period impacting volumes, then gradual recovery of the business activity. The analysis of the contract modifications and gain-share impacts has been performed on a contract by contract basis.

The pandemic has also delayed the disposal processes for our held for sale businesses which are now likely to complete over the next 12 months as the transaction markets reopen. Our modelled RWC cash flows include full consideration for any cash outflows associated with these businesses in our 2020 budget and we have included a £45 million sensitivity against our 2021 strategic plan in respect of the risk of any additional cash outflows if any disposals have still not been completed. The impact of the pandemic on our revenue at the end of May 2020 was £59 million (associated profit impact: £14 million loss) representing 6.7% of budgeted sales highlighting the relatively limited impact on our volume through the lockdown period. During this period, we have also won new work valued at £620 million.

Overlaid on these scenarios the Directors have incorporated the various UK Government initiatives that have been enacted or announced over the last few weeks, which have been set out below:

- The funding by Government of 80% of the wages of employees that have been furloughed (subject to a cap of £2,500 per employee);
- Procurement Policy Note 02/20: Supplier relief due to COVID-19 which ensures stability of revenue over the next three months. This envisages that contracting authorities continue to pay suppliers at risk due to COVID-19 on a continuity and retention basis. Contracting authorities can make advance payments to suppliers if necessary and contracting authorities should pay suppliers as quickly as possible to maintain cash flow and protect jobs. Procurement Policy Note 04/20 follows 02/20 and will similarly be relied upon;
- The ability to defer VAT and PAYE payments with repayments of this deferral to be made prior to the end of the 2020/21 tax year. The Group has agreement to defer VAT payments due for the period March to June 2020 until 31 March 2021 and also deferred PAYE payments due from March onwards until the end of June 2020; and
- The Guidance note issued by Government regarding PFIs which states that PFI contractors should consider themselves to be part of the public sector in response to the current COVID-19 emergency.

The additional liquidity provided by the above initiatives have given the Board assurance that the Group will have sufficient resources to cope with the worst-case scenario above without breaching covenant limits (all of which have been calculated before considering whether any impact of COVID-19 would be excluded as an exceptional item).

### 3 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.

#### *Investment in subsidiary undertakings*

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

#### *Financial assets – classification*

The Company classifies its financial assets in the following categories: at fair value through profit or loss (held for trading), and loans and receivables. The classification depends on the purpose for which the financial assets were acquired and is determined at point of initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where the maturity is greater than twelve months when they are included in non-current assets and comprise receivables.

#### *Financial assets – recognition and measurement*

Loans and receivables are carried at amortised cost. Financial assets are de-recognised when the rights to receive cash flows have expired.

#### *Financial liabilities*

The Company classifies its financial liabilities as other financial liabilities measured at amortised cost using the Effective Interest Rate (EIR) method.

### 4 Employee costs

The Company had no direct employees in either 2019 or 2018.

### 5 Directors

No Directors were remunerated through the Company in either 2019 or 2018.

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, and the remuneration of the other Directors, which is paid by other group companies, is deemed to be wholly attributable to their services to the group as a whole.

### 6 Investment in subsidiary undertakings

	Cost of shares £
At 31 December 2018 and at 31 December 2019	1,000

At 31 December 2019, the Company directly held the share capital of the following subsidiary undertaking, which is registered in England and Wales and which is not publicly traded.

Undertaking	Class of share capital held	Proportion held	Nature of business
Slough Enterprise Limited	Ordinary shares	100%	Environmental services

The registered office of the subsidiary undertaking is Chancery Exchange, 10 Fumival Street, London, EC4A 1AB, United Kingdom.

**Accord Environmental Services Limited****Notes forming part of the financial statements for the year ended 31 December 2019 (continued)****7 Trade and other receivables**

	2019	2018
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	1,000	1,000
Total trade and other receivables	1,000	1,000

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

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

	2019	2018
	£	£
Amounts owed to group undertakings	1,000	1,000
Total creditors: amounts falling due within one year	1,000	1,000

Amounts due to fellow group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

**9 Share capital**

	Number	£
Ordinary shares of £1 each		
Issued at 1 January 2018, 31 December 2018 and at 31 December 2019	1,000	1,000

**10 Financial and capital commitments**

The Company had no financial or capital commitments at 31 December 2019 or at 31 December 2018.

**11 Contingent liabilities**

As a member of the Amey UK plc Group of Companies, the Company is a participator in the Group VAT registration 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 2019, the only net liability arising across the Amey Group was £31,332,000 (2018 - £27,937,000) in respect of VAT.

There were no other contingent liabilities at 31 December 2019 or at 31 December 2018.

## 12 Post balance sheet events

### *COVID-19 pandemic impact on the Amey Group (the "Group")*

Since the year end, the global COVID-19 pandemic has led to significant challenges for the Group to meet, particularly with regards to ensuring the health and safety of employees. The Group has been able to keep large parts of the business fully operational with a maximum of 755 employees furloughed to date during this period of uncertainty and the Group also secured the necessary PPE to protect the workforce. Operational practices have been adapted to meet the guidelines on social distancing and minimising contacts. Reduced volumes of work have been noted and appropriate actions have been taken to utilise the various UK Government initiatives to assist the economy.

In the first part of 2020, the Group has been responding to the impact of the pandemic on its operations and cash flows. Management have looked at both a moderate and a severe revenue shortfall scenario and both of these scenarios have been further sensitised under the assumption that there is a return to normal trading over a medium term and over a longer term. The impact on the forecast profits of the Group of the above scenarios is a range between £30 million and £50 million. The pandemic will also have a consequential impact on the value of investments held by the Company. Given the COVID-19 pandemic occurred after the Balance sheet date in the UK, these valuation changes are a non-adjusting post balance sheet event and have not been reflected in the valuations at 31 December 2019.

The main variables considered to quantify the range of £30 to £50m range of pandemic impact have been the extent of operational disruption, the potential for diminished volumes, contract modifications (changes in the economic activity caused by the pandemic causing the renegotiation of the terms of existing contracts and arrangements) and the impact of lower performance on the gain-share mechanisms of the contracts. The operational disruption and potential diminished volumes have been assessed in a moderate and severe scenario. In the moderate scenario, we have seen a 20-30% reduction in volumes during lock down period and then gradual recovery of the business activity. In the severe scenario, a 50%-60% reduction of the labour force would be out of action during lock down period impacting volumes, then gradual recovery of the business activity. The analysis of the contract modifications and gain-share impacts has been performed on a contract by contract basis. The pandemic has also delayed the disposal processes for our held for sale businesses which are now likely to complete over the next 12 months as the transaction markets reopen

Overlaid on these scenarios the Directors have incorporated the various UK Government initiatives that have been enacted or announced over the last few weeks, which have been set out below:

- (i) The funding by Government of 80% of the wages of employees that have been furloughed (subject to a cap of £2,500 per employee)
- (ii) Procurement Policy Note 02/20: Supplier relief due to COVID-19 which ensures stability of revenue over the next three months. This envisages that contracting authorities continue to pay suppliers at risk due to COVID-19 on a continuity and retention basis. Contracting authorities can make advance payments to suppliers if necessary and contracting authorities should pay suppliers as quickly as possible to maintain cash flow and protect jobs. Procurement Policy Note 04/20 follows 02/20 and will similarly be relied upon.
- (iii) The ability to defer VAT and PAYE payments with repayments of this deferral to be made prior to the end of the 2020/21 tax year. The Group has agreement to defer VAT payments due for the period March to June 2020 until 31 March 2021 and also deferred PAYE payments due from March onwards until the end of June 2020.
- (iv) The Guidance note issued by Government regarding PFIs which states that PFI contractors should consider themselves to be part of the public sector in response to the current COVID-19 emergency.
- (v) The additional liquidity provided by the above initiatives have given the Board assurance that the Group will have sufficient resources to cope with the worst-case scenario above without breaching covenant limits.

**13 Controlling parties**

The immediate parent undertaking is Accord Limited.

The ultimate parent undertaking 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:

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

or from the Ferrovial, S.A. website: [www.ferrovial.com](http://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 Fumival Street  
London, EC4A 1AB  
United Kingdom