

**REGISTERED NUMBER: 03033245 (England and Wales)**

**Annual Report and  
Financial Statements for the Year Ended 31 December 2019  
for  
Amey OWR Limited**

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**Amey OWR Limited**

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for the Year Ended 31 December 2019**

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**Amey OWR Limited**

**Company Information  
for the Year Ended 31 December 2019**

**Directors**

A Gilbert  
A L Nelson

**Company Secretary**

Sherard Secretariat Services Limited

**Registered Office**

Chancery Exchange  
10 Furnival Street  
London  
EC4A 1AB

**Auditor**

Deloitte LLP  
Abbots House  
Abbey Street  
Reading  
RG1 3BD

## **Amey OWR Limited**

### **Strategic Report for the Year Ended 31 December 2019**

The Directors presents their strategic report for the year ended 31 December 2019.

#### **Principal activity**

The Company is principally engaged in the activity of providing engineering consultancy to the railway industry. 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 10 and shows revenue of £124,322,000 (2018 - £107,545,000) and a loss after tax amounting to £93,521,000 (2018 - £10,485,000 profit), all of which arose from continuing activities.

The Company saw a 16% increase in revenue in the year which had a direct impact on gross profit and operating profit showing a £5.5 million increase for the year. These results included at the full year impact of consultancy services provided on the Wales and Borders railway contracts held by the Amey Group. Administrative expenses were unchanged year on year.

On 30 July 2019, the Company granted equity loan facilities totalling £106.4 million to fellow group undertakings, Amey LG Limited and Enterprise plc, for £39.7 million and £66.7 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 £106.4 million has been included in the results of the Company for this year. A further provision of £1.8 million has been made in 2019 in respect of an investment in another group company.

The Directors remain confident that this overall level of trading activity will be maintained in 2020 though the COVID-19 pandemic will have a negative impact on revenues and operating margins (see commentary on post balance sheet events below).

#### **Post balance sheet events**

##### *Issue of other equity instrument*

On 10 July 2020, a fellow Amey group company, Enterprise plc, granted an equity loan facility to the Company for a total amount of £44.0 million. This is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points.

##### *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 24 to the financial statements.

There have been no other 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 before tax which are shown in the income statement for the year set out on page 10.

**Amey OWR Limited**

**Strategic Report for the Year Ended 31 December 2019 (continued)**

**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 2019. The Company is a member of the Consulting and Rail division of the Group.

**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 Directors on 10 July 2020:

  
A L Nelson  
Director  
10 July 2020

## **Amey OWR Limited**

### **Report of the Director for the Year Ended 31 December 2019**

The Directors presents their annual report with the audited financial statements of the Company for the year ended 31 December 2019.

#### **Strategic Report**

Details of future developments and financial risk management can be found in the Strategic Report on page 2 and form part of this report by cross reference.

#### **Dividends**

No dividends were paid by the Company during the year (2018 - £nil). The Directors does not recommend the payment of a final dividend.

#### **Director of the Company**

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

N R Hindle (resigned 31 January 2020)  
A L Milner (resigned 12 December 2019)  
A L Nelson

The following director was appointed after the year-end:

A Gilbert (appointed 30 March 2020)

#### **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.

#### **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.

#### **Policy on slavery and human trafficking**

In accordance with the Modern Slavery Act 2015, the Group 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](http://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 the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Amey OWR Limited**

**Report of the Director for the Year Ended 31 December 2019 (continued)**

**Reappointment of auditor**

Deloitte LLP has been appointed as Auditor and has expressed their willingness to continue in office as Auditor. In accordance with s487 of the Companies Act 2006, Deloitte LLP will be re-appointed as Auditor to the Company.

Approved by the Directors on 10 July 2020



.....  
A L Nelson

Director

10 July 2020

## **Amey OWR 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 Director has elected to prepare the financial statements in accordance with United Kingdom 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.



## **Amey OWR Limited**

### **Independent auditor's report to the members of Amey OWR Limited**

#### **Report on the audit of the financial statements**

##### **Opinion**

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 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 25.

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**

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

## **Amey OWR Limited**

### **Independent auditor's report to the members of Amey OWR Limited (continued)**

#### **Other information**

The Director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

#### **Responsibilities of the Director**

As explained more fully in the Director's responsibilities statement, the Director is 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 Director determines 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 Director is 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 Director either intends 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Amey OWR Limited**

**Independent auditor's report to the members of Amey OWR 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report 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 and the Director's Report.

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

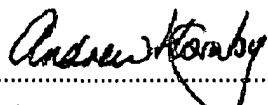
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 Director's 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 (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Reading  
United Kingdom

10 July 2020

**Amey OWR Limited****Income Statement for the Year Ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Revenue	4	124,322	107,545
Cost of sales		<u>(99,741)</u>	<u>(88,417)</u>
Gross profit		24,581	19,128
Administrative expenses		<u>(6,059)</u>	<u>(6,091)</u>
Operating profit		18,522	13,037
Provision for investments in fellow group companies	6	<u>(108,176)</u>	-
(Loss)/profit before interest and taxation		(89,654)	13,037
Interest receivable and similar income	7	<u>2</u>	<u>154</u>
		(89,652)	13,191
Finance expense	8	<u>(539)</u>	<u>(279)</u>
(Loss)/profit before taxation	9	(90,191)	12,912
Tax on (loss)/profit	10	<u>(3,330)</u>	<u>(2,427)</u>
(Loss)/profit for the year		<u>(93,521)</u>	<u>10,485</u>

The notes on pages 14 to 37 form part of these financial statements.

**Amey OWR Limited****Statement of Comprehensive Income for the Year Ended 31 December 2019**

	2019 £'000	2018 £'000
(Loss)/profit for the year	(93,521)	10,485
Total comprehensive (expense)/income for the year	(93,521)	10,485

The notes on pages 14 to 37 form part of these financial statements.

**Amey OWR Limited (Registered number: 03033245)****Balance Sheet as at 31 December 2019**

		2019 £'000	2018 £'000
	Note		
Fixed assets			
Tangible assets	11	1,731	494
Investments	12	531	2,349
		<u>2,262</u>	<u>2,843</u>
Current assets			
Inventories	13	12	12
Debtors: amounts falling due within one year	14	58,095	141,120
Debtors: amounts falling due after more than one year	14	426	-
Cash at bank and in hand		635	468
		<u>59,168</u>	<u>141,600</u>
Creditors:			
Amounts falling due within one year	15	(100,698)	(91,013)
Net current (liabilities)/assets		<u>(41,530)</u>	<u>50,587</u>
Total assets less current liabilities		(39,268)	53,430
Creditors:			
Amounts falling due after more than one year	16	(823)	-
Net (liabilities)/assets		<u>(40,091)</u>	<u>53,430</u>
Capital and reserves			
Share capital	20	200	200
Retained (deficit)/earnings		<u>(40,291)</u>	<u>53,230</u>
Shareholders' funds		<u>(40,091)</u>	<u>53,430</u>

The financial statements were approved by the Directors on 10 July 2020



A L Nelson

Director

10 July 2020

The notes on pages 14 to 37 form part of these financial statements.

**Amey OWR Limited****Statement of Changes in Equity for the Year Ended 31 December 2019**

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2018	200	42,697	42,897
Impact of transition to IFRS 15	-	48	48
At 1 January 2018 post transition to IFRS 15	200	42,745	42,945
Profit for the year	-	10,485	10,485
Total comprehensive income	-	10,485	10,485
At 31 December 2018	200	53,230	53,430

	Share capital £'000	Retained earnings/ (deficit) £'000	Total £'000
At 1 January 2019	200	53,230	53,430
Loss for the year	-	(93,521)	(93,521)
Total comprehensive expense	-	(93,521)	(93,521)
At 31 December 2019	200	(40,291)	(40,091)

*Post balance sheet event - issue of other equity instrument*

On 10 July 2020, a fellow Amey group company, Enterprise plc, granted an equity loan facility to the Company for a total amount of £44.0 million, which is classed as Other equity instrument (see note 24). This is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points.

The notes on pages 14 to 37 form part of these financial statements.

## **Amey OWR Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019**

#### **1 General information**

The principal activity of Amey OWR Limited (the Company) is the provision of engineering consultancy to the railway industry and it operates principally within the UK. 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 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, other than those identified below:

##### **IFRS 16: Leases**

This standard establishes one sole accounting model for lessors, where the amounts in the balance sheet will be increased by the recognition of right-of-use assets and the corresponding financial liabilities for the future payment obligations relating to leases classified to date as operating leases.

The modified retrospective approach has been applied at the transition date, recognising the same amount in both assets as in liabilities, for the cumulative effect of first-time adoption of the standard at 1 January 2019, without restating the information for comparative periods. In addition, the standard has not been applied on transition to contracts that were previously carried as operating where they did not meet the definition of a lease under IFRS 16 or if they come under the exceptions allowed by the standard with respect to the recognition of short-term (less than twelve months remaining at time of recognition) or low-value leases (less than £5,000).

The Company has identified £2.0 million of right-of use assets at 1 January 2019 which are now included in tangible fixed assets. A corresponding finance lease liability of £2.0 million has been recognised as part of external borrowings, using an implicit interest rate of 3.9% to determine the present value of remaining payments of in-scope finance leases. As the modified retrospective approach has been applied, there is no impact on previously reported earnings or on shareholders' funds. In addition, the Company has chosen to present right-of-use assets as part of tangible fixed assets with the corresponding finance lease liability presented as part of creditors rather than reporting these as separate line items on the Company balance sheet.

The impact of adoption of IFRS 16 on the balance sheet as at 1 January 2019 is set out in note 23 to the financial statements.

Other 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 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.

### **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.

## **Amey OWR Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **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 borrowings and liabilities of the Group as described in note 21. 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 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 £85.0million 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.

## **Amey OWR Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (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.

## **Amey OWR Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (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).

## **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**

All revenue is accounted for under the requirements of IFRS 15 – Revenue from Contracts with Customers. Set out below are specific details of the methods applied as part of this policy:

##### *(i) General revenue recognition criterion*

The first step for revenue recognition purposes is to identify the contracts and the performance obligations contained therein. The number of performance obligations that a contract has will depend on the type of contract and the activity. In general, the performance obligations that the Group engages in are satisfied over time and not at a specific point in time, since the customer simultaneously receives and consumes the benefits provided by the entity's performance as the service is performed.

With respect to the method for recognising revenue over time (i.e. the method for measuring progress towards complete satisfaction of a performance obligation), the Group has established certain criteria that are applied consistently for similar performance obligations. In this regard, the method chosen by the Group to measure the value of goods or services for which control is transferred to the customer over time is the output method; this method is applied provided that the progress of the work performed can be measured on the basis of the contract and during its performance.

In contracts to provide different highly interrelated goods or services in order to produce a combined output, which is habitually the case in contracts with a construction activity, the applicable output method is that of surveys of performance completed to date (or measured unit of work), according to which revenue is recognised corresponding to the units of work performed and on the basis of the price allocated thereto. Under this method, on a regular basis, the units of work completed under each contract are measured and the corresponding output is recognised as revenue. Costs of work or services projects performed are recognised on an accrual basis, and the costs actually incurred in completing the units performed are recognised as an expense, together with those which, even though they are expected to be incurred in the future, have to be allocated to the units of work completed to date.

Also, in routine or recurring service contracts (in which the services are substantially the same), such as maintenance and cleaning services, which are transferred with the same pattern of consumption over time and whose remuneration consists of a recurring fixed amount over the term of the contract (e.g. monthly or annual payment), in such a way that the customer receives and consumes the benefits of the services as the entity provides them, the method selected by the Group to recognise revenue is the time elapsed output method. Under this method, revenue is recognised on a straight-line basis over the term of the contract and costs are recognised on an accrual basis.

Lastly, only in those contracts that are not for routine or recurring services and for which the unitary price of the units to be performed cannot be determined, use of the stage of completion measured in terms of the costs incurred (input method) is permitted. Under this method, the entity recognises revenue based on the proportion that costs incurred to date bear to the total costs expected to be incurred to complete the work, taking into account the expected margins of the whole project per the latest updated budget. This method involves measuring the proportion of the costs incurred in the work completed to date to the total costs envisaged and recognising revenue in proportion to total expected revenue. Under this method, the proportion that contract costs incurred bear to the estimated total contract costs is used to determine the revenue to be recognised, by reference to the estimated margin for the entire term of the contract. As indicated above, this method is only applied to complex construction or service contracts with a fixed price ("lump sum") in which it is not possible to break down the units produced and measure them.

## **Amey OWR Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Revenue recognition (continued)**

###### *(ii) Recognition of revenue from contract modifications, claims and disputes*

Contract modifications are defined as changes in the scope of the work, other than changes envisaged in the original contract, that may result in a change in the revenue associated with that contract. Modifications to the initial contract require the customer's technical and financial approval before billings can be issued and the amounts relating to the additional work can be collected. The Group does not recognise the revenue from such additional work until the customer's approval has been obtained. In cases where the additional work has been approved but the corresponding change in price has not been determined, the requirement described below for variable consideration is applied: namely, to recognise revenue for an amount with respect to which it is highly probable that a significant reversal will not occur. The costs associated with these additional units or services performed are recognised when incurred, irrespective of whether or not the modification has been approved.

A claim is a request for payment or compensation from the customer (for example, for compensation, reimbursement of costs, or a legally compulsory inflation review) that is made directly to the customer. The method followed by the Group with respect to claims is to apply the method described above for modifications, when the claims are not covered by the contract, or the method used for variable consideration, when the claims are covered by the contract but need to be quantified.

A dispute is the result of a disconformity or rejection following a claim made to the customer under the contract, the resolution of which is dependent on a procedure conducted directly with the customer or a court or arbitration proceeding. Per the criteria followed by the Group, revenue relating to disputes in which the enforceability of the amount claimed is questioned is not recognised, and previously recognised revenue is derecognised, since the dispute demonstrates the absence of the customer's approval of the work completed. If the customer only questions the price, revenue recognition is based on the criterion applied in cases of variable consideration discussed below.

Only in those cases in which there is a legal report confirming that the rights under dispute are clearly due and enforceable and that, therefore, at least the costs directly associated with the related service will be recovered, may revenue be recognised up to the limit of the amount of the costs incurred.

###### *(iii) Variable consideration*

If the consideration promised in a contract includes a variable amount, this amount is recognised only to the extent that it is highly probable that a significant reversal in the amount recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

###### *(iv) Balance sheet items relating to revenue recognition: amounts recoverable on contracts/payments received on account*

Unlike the method used to recognise contract revenue, the amounts billed to the customer are based on achievement of the various milestones established in the contract and on acknowledgement thereof by the customer, which takes the form of a contractual document called "certificate of completion" or "work order". Thus, the amounts recognised as revenue for a given year do not necessarily coincide with the amounts billed to or certified by the customer. In the case of contracts in which the goods or services transferred to the customer exceed the related amount billed or certified, the difference is recognised (as a contract asset) in an asset account called "Amounts recoverable on contracts" under "Trade and other receivables", whereas in contracts in which the goods or services transferred are lower than the amount billed to or certified by the customer, the difference is recognised (as a contract liability) in a liability account called "Deferred income" under "Trade and other payables".

## **Amey OWR Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Foreign currency transactions and balances**

The functional currency is the currency of the primary economic environment in which the Company operates (Pound Sterling). Foreign currency denominated transactions and balances are translated using the exchange rate ruling at the date of the transaction or balance. Gains or losses arising are included in the income statement as they arise.

##### **Tangible fixed assets**

Tangible fixed assets are stated at historical cost less depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. Freehold land and buildings are not depreciated. The rates generally applicable are:

Short leasehold land and buildings – term of the lease

Plant and machinery -20% to 33%

##### **Leasing and hire purchase contracts**

Assets held under finance leases and hire purchase contracts are included in property, plant and equipment and are depreciated over the shorter of the contract term or their useful life. The net obligation relating to finance leases and hire purchase contracts is included as a liability. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. Costs in respect of other lease commitments are charged to the income statement on a straight-line basis over the lease period.

Following the adoption of IFRS 16: Leases on 1 January 2019, the distinction between operating and finance leases has been removed with all leases now considered to be finance leases except for short-term leases of less than twelve months duration or for leases with low value assets. These exceptions will continue to be accounted for as other lease commitments.

##### **Investment in subsidiary undertakings**

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

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using either the weighted average method or the first-in, first-out method as appropriate.

##### **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.

## **Amey OWR Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### *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 it 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.

##### *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.



**2 Accounting policies (continued)**

**Financial instruments (continued)**

*Classification and measurement of financial liabilities (continued)*

(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.

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.

(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.

## **Amey OWR Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **2 Accounting policies (continued)**

##### **Financial instruments (continued)**

###### *Classification and measurement of financial liabilities (continued)*

(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 2018 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.

(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.

**Amey OWR Limited****Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****2 Accounting policies (continued)****Creditors**

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

**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.

**Pre-contract costs and certain other costs arising on contracts**

The Company expenses all pre-contract costs and other costs where recovery is not specifically provided for in accordance with the contract terms. The Company recognises on the balance sheet bid costs where it is virtually certain that a contract will be obtained, and the contract is expected to result in future net cash inflows with a present value greater than the amount recognised as an asset and where recovery is specifically provided for in accordance with the contract terms. Costs, which have been expensed, are not subsequently reinstated when a contract award is achieved.

**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.

## Amey OWR Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 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:

##### *IFRS 15*

Estimates taken into consideration for the purpose of recognising revenue from contracts with customers including most notably those associated with: determining whether enforceable rights exist, in order to recognise revenue; determining whether a contract modification has been approved; establishing whether the conditions for recognising revenue for variable consideration are met; recognising revenue in relation to a claim or a dispute; establishing whether the contract includes one or several performance obligations, and determining the price allocable to each of them; defining for each performance obligation the applicable method for recognising revenue over time, taking into account that, based on the accounting policy established by the Company, the preferred method is the "survey of performance completed to date" output method (units of production or based on time elapsed), and the "stage of completion measured in terms of costs incurred" input model is applied in those cases in which the services provided are not routine and recurring services and in which the unit price of the units of work to be performed cannot be determined; in the case of contracts recognised using the survey of performance completed to date method, measuring the units completed and the price that can be allocated thereto; in the case of contracts recognised using the "percentage of completion method" input method, defining the costs incurred relative to total contract costs, and the expected profit margin for the contract; determining whether to capitalise bidding costs and mobilisation costs; and making estimates relating to the calculation of the provision for expected losses and deferred expenses.

#### 4 Revenue

Revenue is wholly attributable to the principal activity of provision of engineering consultancy to the railway industry. All revenue arises solely in the UK.

#### 5 Employees and Directors

The Company had no direct employees in either 2019 or 2018. The costs of employees of Amey Services Limited are recharged to this Company in direct support of its trade.

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

Details of the remuneration of the other Directors, whose services are of a non-executive nature and who are also directors of the Company's intermediate parent undertaking, Amey UK plc, or of its fellow group undertaking, Amey OW Limited, are disclosed in those companies' financial statements. Their remuneration is deemed to be wholly attributable to their services to those companies.

#### 6 Provision for investments in fellow group companies

	2019	2018
	£'000	£'000
Impairment charge for the year	108,176	-

The carrying value of the equity investment loans made during the year has been impaired in full in 2019 with a partial impairment arising in respect of shares held in a subsidiary undertaking. These provisions reflect the difficult trading conditions being experienced by the company's invested in (see note 12).

**Amey OWR Limited****Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****7 Interest receivable and similar income**

	2019 £'000	2018 £'000
Foreign exchange gains	2	1
Other interest receivable	-	-
Interest receivable from fellow group undertakings	-	153
	<u>2</u>	<u>154</u>

**8 Finance expense**

	2019 £'000	2018 £'000
Foreign exchange losses	1	3
Finance lease interest	77	-
Other interest payable	237	276
Payable to fellow subsidiary undertakings	224	-
	<u>539</u>	<u>279</u>

**9 (Loss)/profit before taxation**

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

	2019 £'000	2018 £'000
Deferred income (recognised)/deferred in the year	(1,453)	1,096
Depreciation		
- owned assets	157	178
- leased assets	570	-
Short term and low value lease rentals		
- land and buildings	58	946
- hire of plant and machinery	10,604	10,185
- IT licences and rentals	1,975	1,339
Cost of inventory recognised as an expense	1,262	1,723
Profit on disposal of property, plant and equipment	-	(274)
Provision for investments in group companies (see note 6)	<u>108,176</u>	<u>-</u>

The auditor's remuneration is borne by Amey Group Services Limited, a fellow subsidiary undertaking of the Company, and is not recharged.

Short term and low value lease rentals include recharge of costs incurred by fellow group undertakings on behalf of the Company.

**Amey OWR Limited****Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****10 Taxation****Analysis of tax expense**

	2019 £'000	2018 £'000
Current tax		
Tax - current year	3,458	2,440
Tax - adjustment in respect of prior periods	(42)	-
Total current tax	3,416	2,440
Deferred tax - current year (credit)/charge	(26)	36
Deferred tax - adjustment in respect of prior period	(60)	(49)
Total deferred tax	(86)	(13)
Total tax expense in income statement	3,330	2,427

**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% (2018 - 19.00%)

The differences are reconciled below:

	2019 £'000	2018 £'000
(Loss)/profit before income tax	(90,191)	12,912
Tax on (loss)/profit calculated at standard rate	(17,136)	2,453
Effects of:		
Decrease in tax from adjustment for prior periods	(102)	(49)
Increase from effect of expenses not deductible in determining taxable profit	13	14
Tax effect of asset impairments not deductible in determining taxable profit	20,553	-
Deferred tax (credit)/expense from unrecognised temporary difference from a prior period	-	10
Deferred tax credit relating to changes in tax rates or laws	2	(1)
Tax expense	3,330	2,427

The UK Finance Act 2017 included provision for the main rate of corporation tax to reduce from 19% to 17% from 1 April 2020. A Budget Resolution passed on 17 March 2020 included provision for the main rate of corporation tax to remain at 19% from 1 April 2020 and not reduce to 17% as previously legislated. The anticipated decrease in the Company's tax charge will now not materialise. 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 19% would be to increase the net deferred tax asset by £50,000 as at 31 December 2019.

**Amey OWR Limited****Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****11 Tangible fixed assets**

	Short leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost</b>			
At 1 January 2019	-	2,150	2,150
Additions arising on the adoption of IFRS 16 (see note 23)	1,964	-	1,964
Disposals	-	(28)	(28)
Reclassifications	-	(49)	(49)
At 31 December 2019	1,964	2,073	4,037
<b>Depreciation</b>			
At 1 January 2019	-	1,656	1,656
Charge for the year	570	157	727
Eliminated on disposal	-	(28)	(28)
Reclassifications	-	(49)	(49)
At 31 December 2019	570	1,736	2,306
<b>Net book value</b>			
At 31 December 2019	1,394	337	1,731
At 31 December 2018	-	494	494

The net book value of tangible fixed assets held under finance leases and similar hire purchase contracts amounted to £1.4 million (2018 - £nil) all of which was in respect of leasehold property. Additions of tangible fixed assets held under finance leases and similar hire purchase contracts during the year of £2.0 million arose on the adoption of IFRS 16, Leases. The depreciation charge for the year for assets held under finance leases and similar hire purchase contracts was £0.6 million (2018 - £nil).

**12 Investments**

	Shares in subsidiary undertakings £'000	Equity loans to fellow group companies £'000	Total £'000
<b>Cost or valuation</b>			
At 1 January 2019	2,349	-	2,349
Additions	-	106,358	106,358
At 31 December 2019	2,349	106,358	108,707
<b>Provision for impairment</b>			
At 1 January 2019	-	-	-
Charge for the year	1,818	106,358	108,176
At 31 December 2019	1,818	106,358	108,176
<b>Carrying amount</b>			
At 31 December 2019	531	-	531
At 31 December 2018	2,349	-	2,349

The carrying value of the equity investment loan made during the year has been impaired in full in 2019 with a partial impairment arising in respect of shares held in a subsidiary undertaking. These provisions reflect the difficult trading conditions being experienced by the company's invested in.

## Amey OWR Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 12 Investments (continued)

On 30 July 2019, the Company granted loan facilities totalling £106,358,000 to fellow group undertakings, Amey LG Limited and Enterprise plc, for £39.7 million and £66.7 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.

At 31 December 2019, the Company held share capital of the following subsidiary undertakings, none of which are publicly traded and all of which are registered in England and Wales and operate in the UK:

Undertaking	Nature of business	Class of share capital held	Share capital held
Amey TPT Limited	Professional services to the rail market	Ordinary	100%
AmeyVTOL Limited	Dormant	Ordinary	60%

The registered office of all subsidiary undertakings is Chancery Exchange, 10 Funnival Street, London EC4A 1AB United Kingdom.

#### 13 Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	12	12

#### 14 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Trade debtors	948	3,595
Amounts recoverable on contracts	16,244	15,567
Amounts owed by group undertakings	40,184	120,715
Amounts owed by Ferrovial, S.A. group undertakings	20	-
Amounts owed by joint ventures	232	196
Other debtors	-	53
Deferred tax asset (see note 19)	-	340
Prepayments and accrued income	467	654
	58,095	141,120
Amounts falling due after one year:		
Deferred tax asset (see note 19)	426	-
Aggregate amounts	58,521	141,120

Amounts owed by group undertakings are unsecured and are repayable on demand. There is no difference between the book value and the fair value of amounts owed by group undertakings.



**Amey OWR Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

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

	2019 £'000	2018 £'000
Trade creditors	7,635	3,073
Social security and other taxes	4,248	3,825
Amounts owed to group undertakings	82,628	76,122
Other creditors	106	884
Finance lease (see note 17)	597	-
Accruals and deferred income	5,484	7,109
	<u>100,698</u>	<u>91,013</u>

Amounts due to fellow group undertakings are unsecured and are payable on demand. There is no difference between the book value and the fair value of amounts owed to group undertakings.

**16 Creditors: amounts falling after more than one year**

	2019 £'000	2018 £'000
Finance leases (see note 17)	823	-
	<u>823</u>	<u>-</u>

**17 Financial liabilities - borrowings**

	2019 £'000	2018 £'000
Current		
Finance leases (see note 18)	597	-
Non-current		
Finance leases (see note 18)	823	-
Total	<u>1,420</u>	<u>-</u>

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Total 2019 £'000
Finance leases	597	330	493	1,420
	<u>597</u>	<u>330</u>	<u>493</u>	<u>1,420</u>

	1 year or less £'000	1-2 years £'000	2-5 years £'000	Total 2018 £'000
Finance leases	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Amey OWR Limited****Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****18 Leasing agreements****Finance leases**

Minimum lease payments under non-cancellable finance leases on land and buildings fall due as follows: -

	2019 £'000	2018 £'000
Gross obligations repayable:		
Within one year	620	-
In 1 to 2 years	356	-
In 2 to 5 years	564	-
	<hr/> 1,540	-
Impact of future finance costs	(120)	-
Net obligations as reported on the balance sheet	<hr/> 1,420	-

**Finance leases-additional disclosures**

The changes in finance leases are set out below: -

	2019 £'000	2018 £'000
At 1 January	-	-
Impact of adoption of IFRS 16, Leases - recognition of finance leases	1,964	-
Interest payable on finance lease	77	-
Repayment of finance lease principal	(544)	-
Payment of finance lease interest	(77)	-
At 31 December	<hr/> 1,420	-

The Company's leasing activities comprise rentals of property. Short-term rentals of less than twelve months and low value assets of less than €5,000 are treated as other lease commitment rentals with all long-term and high value assets accounted for as finance leases. All future cash flows arising on leases are considered when measuring finance leases and are based on the contractual terms of the lease agreed. The Company's leasing arrangements do not have any variable payment mechanisms and no residual values have been ascribed to the leases. The Company has not entered into any sale or leaseback type of transaction. As at 31 December 2019, there were no leases not yet commenced to which the Company was committed (2018 - none). The average interest rate applied on finance leases both on adoption of IFRS 16 and during the year was 3.9%. The Company has taken advantage of the practical expedients available in IFRS 16 to apply a single discount rate to a portfolio of leases and to apply accounting for short-term leases to lease for which the lease term ends within twelve months of the date of transition to IFRS 16.

**Amey OWR Limited****Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)****18 Leasing agreements (continued)****Lease commitments leases**

Minimum lease payments under non-cancellable leases on land and buildings fall due as follows:

	2019 £'000	2018 £'000
Within one year	-	633
In two to five years	-	1,480
In over five years	-	60
	<u>-</u>	<u>2,173</u>

Leases relate to many small agreements, none of which are deemed significant enough for separate disclosure. The £nil commitment for 2019 relates to lease commitments that are now accounted for as finance leases in accordance with IFRS16, which has been adopted during the year.

**19 Deferred tax asset**

	£'000
Balance at 1 January 2019	340
Credited to Income Statement during year	86
At 31 December 2019	<u>426</u>

	2019 £'000	2018 £'000
Deferred tax asset comprises:		
Other timing differences	110	101
Deferred capital allowances	316	239
	<u>426</u>	<u>340</u>
Due within one year	-	340
Due within after more than one year	426	-
Aggregate amount	<u>426</u>	<u>340</u>

The Company has recognised deferred tax assets only in respect of deferred capital allowances and other timing differences as the reversal of those items is foreseeable in future periods.

	2019 £'000	2018 £'000
Unrecognised deferred tax comprises:		
Intangibles	4	4
Balance at 31 December	<u>4</u>	<u>4</u>

All deferred tax assets have been measured at a rate of 17% (2018 - 17%).

## Amey OWR Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 20 Share capital

Ordinary shares of £1 each	Number	£'000
Authorised, issued and fully paid at 1 January 2018, 31 December 2018 and 31 December 2019	200,001	200

#### 21 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 2019, the only net liabilities arising across the Amey Group were £64,000,000 (2018 - £nil) in respect of Group borrowings and £31,332,000 (2018 - £27,937,000) in respect of VAT.

Under the terms of the Birmingham City Council Highways PFI contract settlement arrangements, the Company is party to Group guarantees in respect of the payment of the settlement accounts with £55 million remaining to be paid at 31 December 2019. The full amount of deferred consideration can be accelerated upon the occurrence of either a change of control or flotation of the Group; the sale of all or substantially all of the assets of the Group; abandonment by the Group of the original services agreement; material breach of certain business continuity covenants where such breach has a material adverse effect on the services provided by the Group; non-payment of amounts due under the settlement agreement; breach of payment security provisions in the settlement agreement; commencement of an insolvency process in relation to Amey companies party to the agreement; or acceleration of repayment of the Group's corporate banking facilities. Until the full amount of the deferred consideration is paid, subject to certain exceptions, there are restrictions on the disposal of assets which Amey UK plc and the Amey Group can make. Upon certain material disposals, Amey LG Limited is required to pay a proportion towards any payment of any deferred consideration.

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 2019 or at 31 December 2018.

#### 22 Capital commitments

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

**Amey OWR Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**23 Change in accounting policies - transition to IFRS 16**

The impact of the transition to IFRS 16 on the balance sheet as at 1 January 2019 was as follows:

	Balance at 1 January 2019 £'000	Transition to IFRS 16 £'000	Balance at 1 January 2019 Post IFRS 16 £'000
Fixed assets			
Tangible assets	494	1,964	2,458
Investments	2,349	-	2,349
	<u>2,843</u>	<u>1,964</u>	<u>4,807</u>
Current assets			
Inventories	12	-	12
Debtors	141,120	-	141,120
Cash at bank and in hand	468	-	468
	<u>141,600</u>	<u>-</u>	<u>141,600</u>
Creditors:			
Amounts falling due within one year	(91,013)	(544)	(91,557)
Net current assets	<u>50,587</u>	<u>(544)</u>	<u>50,043</u>
Total assets less current liabilities	<u>53,430</u>	<u>1,420</u>	<u>54,850</u>
Creditors: amounts falling due after more than one year	-	(1,420)	(1,420)
Net assets	<u>53,430</u>	<u>-</u>	<u>53,430</u>
Capital and reserves			
Share capital	200	-	200
Retained earnings	53,230	-	53,230
Shareholders' funds	<u>53,430</u>	<u>-</u>	<u>53,430</u>

The impact of the application of IFRS 16 is to increase tangible assets (short leasehold) by £1,964,000 to increase creditors: amounts falling due within one year (finance lease creditor) by £544,000 and creditors: amounts falling due after more than one year (finance lease creditor) by £1,420,000. There is no impact on previously reported profits and losses, and no impact on shareholder funds as at 31 December 2018.

## **Amey OWR Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **24 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.

## **Amey OWR Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

#### **24 Post balance sheet events (continued)**

##### *Issue of other equity instrument*

On 10 July 2020, a fellow Amey group company, Enterprise plc, granted an equity loan facility to the Company for a total amount of £44.0 million. This is a perpetual loan with an applicable interest rate of 12-month LIBOR plus 200 basis points.

This loan has no specified maturity date but can be redeemed by the Company at any time. The Company also has the power to delay timing of the interest payment at its sole discretion which cannot be claimed by the lenders.

As it is at the Company's discretion to decide both the repayment of the principal and the possibility of deferring the payment of interest, the loan does not satisfy the condition to be accounted for as a financial liability since it does not include a contractual obligation to pay cash or other financial assets to discharge the liability. Accordingly, it will be classified as an equity instrument and will be recognised as "Other equity instrument". The accrued interest will be recognised in reserves and treated in the same way as dividends.

#### **25 Controlling parties**

The immediate parent undertaking is Amey OW Group 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