

**AmeyCespa (MK) Holding Co Limited**  
Annual report and financial statements  
For the year ended 31 December 2019  
Company Registration Number 08538303



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<b>Directors</b>	J G Connelly F Hevia González
<b>Company secretary</b>	Sherard Secretariat Services Limited
<b>Company number</b>	08538303
<b>Registered office</b>	Chancery Exchange 10 Furnival Street London United Kingdom EC4A 1AB
<b>Auditor</b>	Deloitte LLP Statutory Auditor Abbots House Abbey Street Reading, United Kingdom

## **Strategic Report**

The Directors present their Strategic Report for the Parent Company and the Group together with the audited financial statements for the year ended 31 December 2019. The Group comprises AmeyCespa (MK) Holding Co Limited (the Parent Company) and its wholly owned subsidiary, AmeyCespa (MK) SPV Limited.

### **Performance**

The results for the year are shown on page 10 in the income statement. This shows total revenue for the year of £11,749,000 (2018: £11,912,000) and profit from operations of £151,000 (2018: £1,892,000). Net finance expense for the year amounted to £1,149,000 (2018: £693,000) and loss after tax was £2,750,000 (2018: profit of £1,720,000).

The Group's performance reflects the position under the PPP concession contract. The Service Commencement Date occurred on 13 March 2018, signalling the commencement of the operations and maintenance phase of the project. Further detail on the recognition of revenue is included in the accounting policies on page 20.

### **Financial performance**

The Group has modelled the anticipated financial outcome of the project across its full term. The Company monitors actual financial performance against anticipated performance. The income and expenditure for the year ended 31 December 2019 – which are based on fixed long-term contracts – were in line with the Directors' expectations. The reduction in revenue compared to the previous year primarily reflected the project's transition from the construction into the operations phase.

### **Safety performance**

The Group is committed to providing a safe environment for its sub-contractors and those impacted by its activities. Safety reports are provided at each board meeting. These are reviewed by the Directors who monitor actual performance against anticipated performance using industry benchmarks. Appropriate action is taken where necessary in order to ensure that all matters raised are fully resolved and are compliant with safety regulations.

### **Key performance indicators**

The Directors consider revenue, results from operations, profit before tax and profit after tax and achievement of milestones under the PPP concession to be the key performance indicators of the Group and are satisfied with the performance in the year.

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## Strategic report (*continued*)

### Principal risks and uncertainties

Under the terms of the project agreement, the Group is required to meet certain key performance targets. The Directors review actual performance against those targets on a regular basis to mitigate risks arising from contract activities.

The Group's main commercial risks during the year are attributable to the delivery of the capital infrastructure on the PPP concession contract. The risk of operational revenue deductions on the service and the maintenance elements of the PPP concession contract are passed to the sub-contractors as a pass-through cost, as is the risk of asset renewal expenditure.

The Group's credit risk is primarily attributable to its receivables on the PPP contract which is held with a local authority. This risk is mitigated by maintaining a strong relationship with the Group's customer.

The Group's cash flow risk is managed by monitoring cash flow as part of the day-to-day control procedures. The Directors consider cash flow projections to ensure appropriate facilities are available to be drawn upon as necessary.

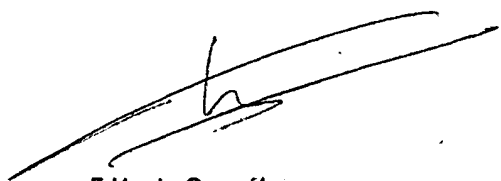
### Post balance sheet events

#### *COVID-19 pandemic impact on the Amey Group*

Since the year end, the global COVID-19 pandemic has led to significant challenges for the Amey Group to meet, particularly with regards to ensuring the health and safety of employees. The Amey 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 Amey 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 Amey Group, please see note 1 to the financial statements.

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

**Approved by the Board and signed on its behalf**



**F Hevia González**  
Director  
Chancery Exchange  
10 Fumival Street  
London  
United Kingdom  
EC4A 1AB

24 December 2020

## **Directors' report**

The Directors present their report together with the audited financial statements for the year ended 31 December 2019.

### **Strategic report**

A review of the performance of the Group is included in the Strategic Report on page 1 by cross reference and future developments of the Group are discussed below.

### **Principal activities**

The Group's principal activities are the design, installation, operation and maintenance of residual waste treatment facilities under a public-private partnership concession for a period of 18 years from May 2013 to August 2031, pursuant to a project agreement with Milton Keynes Council ("the Authority") dated 26 June 2013.

### **Principal risks and uncertainties**

The principal risks and uncertainties facing the Group are set out in the Strategic Report on page 2 and form part of this report by cross reference.

### **Dividends**

The Directors do not recommend the payment of a final dividend (2018: £nil).

### **Future Developments**

The Group will continue in 2020 to deliver the waste management services that are stipulated under the PFI concession contract and focus on optimising the operational efficiency of the facility.

### **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 chain, 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 plc website ([www.amey.co.uk](http://www.amey.co.uk)) and an abridged statement is included in the financial statements of the Group's intermediate parent Group, Amey UK plc.

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## Directors' report *(continued)*

### Going concern

After making enquiries and based on the assumptions outlined in note 1 to the financial statements, the Directors have concluded that the Company and Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

### Directors

The Directors who held office during the year and to the date of this report unless otherwise stated were as

J G Connelly	Re-signed 13th March 2020
J G Connelly	Re-appointed 13th March 2020
A Ghafoor	Re-signed 13th March 2020
F Hevia González	

### Directors' indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor for the year.

### Approved by the Board and signed on its behalf



F Hevia González  
Director  
Chancery Exchange  
10 Fumival Street  
London  
United Kingdom  
EC4A 1AB  
24 December 2020

## **Directors' responsibilities statement**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make an assessment of the Group's ability to continue as a going concern.

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

## **Independent Auditor's report to the members of AmeyCespa (MK) Holding Co Limited**

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

#### **Opinion**

In our opinion:

- the financial statements of AmeyCespa (MK) Holding Co Limited (the Parent Company) and its subsidiary (together, the Group) give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 '*Reduced Disclosure Framework*'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of AmeyCespa (MK) Holding Co Limited which comprise:

- the consolidated income statement
- the consolidated statement of comprehensive income
- the consolidated balance sheet;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows; and
- the notes to the Company's financial statements

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements 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 Group 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.



## **Independent Auditor's report to the members of AmeyCespa (MK) Holding Co Limited *(continued)***

### **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.

### **Other information**

The Directors are 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 directors**

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

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

## **Independent Auditor's report to the members of AmeyCespa (MK) Holding Co Limited *(continued)***

### **Auditor's responsibilities for the audit of the financial statements**

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

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.

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

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

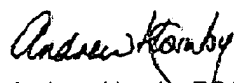
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

**Independent Auditor's report to the members of  
AmeyCespa (MK) Holding Co Limited *(continued)***

**Use of our report**

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Hornby FCA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Reading, United Kingdom  
Date: 24 December 2020

**Consolidated income statement**  
**For the year ended 31 December 2019**

	Notes	2019 £000	2018 £000
Revenue	4	11,749	11,912
Cost of sales		(10,831)	(10,979)
<b>Gross profit</b>		<u>918</u>	<u>933</u>
Other income	4	-	1,740
Administrative expenses		(767)	(781)
<b>Operating profit</b>	5	<u>151</u>	<u>1,892</u>
Finance income	7	11	1,667
Finance expense	7	(1,160)	(2,360)
<b>(Loss)/profit before tax</b>		<u>(998)</u>	<u>1,199</u>
Tax credit	8	(1,752)	521
<b>(Loss)/profit after tax</b>		<u><u>(2,750)</u></u>	<u><u>1,720</u></u>

All of the above relates to continuing activities.

The notes on pages 15 to 31 form part of these financial statements.

**Consolidated statement of comprehensive income**  
**For the year ended 31 December 2019**

	<b>Notes</b>	<b>2019</b> <b>£000</b>	<b>2018</b> <b>£000</b>
<b>(Loss)/profit after tax for the year</b>		<b>(2,750)</b>	<b>1,720</b>
<b>Total comprehensive (expense)/income for the year attributable to:</b>			
Equity shareholders of the Parent Company		<u><b>(2,750)</b></u>	<u><b>1,720</b></u>

The notes on pages 15 to 31 form part of these financial statements.

**Consolidated balance sheet**  
As at 31 December 2019

	Notes	2019 £000	2018 £000
<b>Non-current assets</b>			
Intangible asset	9	22,937	24,668
Deferred tax asset	13	-	4,299
		<u>22,937</u>	<u>28,967</u>
<b>Current assets</b>			
Trade and other receivables	10	2,482	1,656
Cash and cash equivalents		<u>141</u>	<u>2,404</u>
		<u>2,623</u>	<u>4,060</u>
<b>Total assets</b>		<u>25,560</u>	<u>33,027</u>
<b>Current liabilities</b>			
Trade and other payables	11	(3,049)	(5,481)
Loans and borrowings	12	<u>(1,039)</u>	<u>(1,065)</u>
		<u>(4,088)</u>	<u>(6,546)</u>
<b>Net current liabilities</b>		<u>(1,465)</u>	<u>(2,486)</u>
<b>Non-current liabilities</b>			
Trade and other payables	11	(21,206)	(22,721)
Loans and borrowings	12	<u>(8,185)</u>	<u>(8,929)</u>
		<u>(29,391)</u>	<u>(31,650)</u>
<b>Total liabilities</b>		<u>(33,479)</u>	<u>(38,196)</u>
<b>Net liabilities</b>		<u>(7,919)</u>	<u>(5,169)</u>
<b>Issued capital and reserves attributable to equity shareholders of the Parent Company</b>			
Called-up share capital	14	50	50
Retained losses	15	(7,969)	(5,219)
<b>Total shareholders' deficit</b>		<u>(7,919)</u>	<u>(5,169)</u>

The financial statements of AmeyCespa (MK) Holding Co Limited, registered number 08538303, on pages 10 to 31 were approved and authorised for issue by the Board of Directors on 24 December 2020 and were signed on its behalf by:

  
**F Hevia González**  
Director

The notes on pages 15 to 31 form part of these financial statements.

**Consolidated statement of changes in equity**  
**For the year ended 31 December 2019**

	<b>Called-up share capital £000</b>	<b>Retained losses £000</b>	<b>Total £000</b>
Balance at 1 January 2018	50	(6,939)	(6,889)
Profit for the year	-	1,720	1,720
Total comprehensive income for the year	-	1,720	1,720
Balance at 31 December 2018	<u>50</u>	<u>(5,219)</u>	<u>(5,169)</u>
<b>Balance at 1 January 2019</b>	<b>50</b>	<b>(5,219)</b>	<b>(5,169)</b>
<b>Profit for the year</b>	<b>-</b>	<b>(2,750)</b>	<b>(2,750)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(2,750)</b>	<b>(2,750)</b>
<b>Balance at 31 December 2019</b>	<b><u>50</u></b>	<b><u>(7,969)</u></b>	<b><u>(7,919)</u></b>

The notes on pages 15 to 31 form part of these financial statements.

**Consolidated statement of cash flows**  
**For the year ended 31 December 2019**

	Notes	2019 £000	2018 £000
(Loss)/profit before tax for the year.		(998)	1,199
<i>Adjustments for:</i>			
Finance income	7	(11)	(1,667)
Finance expense	7	1,160	2,360
		<u>151</u>	<u>1,892</u>
(Increase)/decrease in trade and other receivables		(1,062)	788
Increase in trade and other payables		<u>142</u>	<u>882</u>
<b>Cash (used in)/generated from operation</b>		<b>(769)</b>	<b>3,562</b>
PFI/PPP financial asset		-	124,752
Interest received		11	1,660
Interest paid		(1,186)	(4,016)
Tax refund received		425	-
<b>Net cash (used in)/generated from operation</b>		<b>(1,519)</b>	<b>125,959</b>
<b>Cash flows from financing activities</b>			
Payment of senior debt loan liabilities		-	(129,162)
Payment of shareholder loan liabilities		(744)	(1,488)
<b>Net cash used in financing activities</b>		<b>(744)</b>	<b>(130,650)</b>
Net decrease in cash and cash equivalents		<u>(2,263)</u>	<u>(4,691)</u>
Cash and cash equivalents at beginning of year		2,404	7,095
<b>Cash and cash equivalents at end of year</b>		<b><u>141</u></b>	<b><u>2,404</u></b>

The notes on pages 15 to 31 form part of these financial statements.



## **Notes to the financial statements**

*(forming part of the financial statements)*

### **1 Accounting policies**

AmeyCespa (MK) Holding Co Limited (the Parent Company) is a private company limited by shares, incorporated under the Companies Act 2006 and domiciled in the United Kingdom and registered in England & Wales (company registration number 08538303). The Parent Company's registered address is specified in the strategic report on page 2. The principal activities of AmeyCespa (MK) Holding Co Limited and its subsidiary (together, the Group) are the design, installation, operation and maintenance of residual waste treatment facilities under a public-private partnership concession. The Group's parent company and ultimate parent undertaking are disclosed in note 18 on page 31.

#### ***Basis of preparation***

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

#### ***Presentation and functional currency***

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The financial statements have been prepared on an accruals basis and on the historical cost basis.

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

#### ***New standards, interpretations and amendments***

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The Group has applied all accounting standards and interpretations issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU, relevant to its operations and effective for accounting periods beginning 1 January 2015.

On 1 January 2019, the following standards which might have an impact on the financial statements came into force in the European Union: IFRS 16 Leases and IFRIC Interpretation 23. No significant impact on the Group's financial statements has been identified because of these amendments.

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

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### **Going Concern**

The Company is a subsidiary of Amey UK plc (the Amey Group) and its financial resources are managed on a group basis. The Company is accordingly a cross-guarantor to certain liabilities of the Amey Group as described in note 17. The Company has also received written confirmation from the intermediate parent undertaking, Amey UK plc, that it will continue to provide financial support to the Company for the period of at least twelve months from the date of signing these financial statements in order to fund day-to-day operations and to meet liabilities to the extent that the Company is unable to do so. The ultimate parent of the Amey Group is Ferrovial, S.A. The Amey Group is financed through a mixture of shareholder equity, other equity instruments issued to Ferrovial companies, intercompany debt from Ferrovial companies, finance leases, non-recourse project-related bank term loans, other bank loans and overdrafts.

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

The Amey 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 Amey 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. The Amey Group has commenced discussions with lenders regarding the £55 million of financing that is due to expire in 2021. These discussions are on-going and the Directors are confident that the Amey Group will either be able to renew or replace these loans when they fall due in 2021 or will have sufficient funds available to repay the loans based on projected funds availability.

At 31 December 2019, £96 million of these facilities were undrawn and the Group also held £58 million of unrestricted cash on the Amey Group balance sheet. Although the average net debt balance of the Amey 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 Amey Group has reduced.

Since the year end, the financial strength of the Amey Group has been strengthened by the conversion of £169.0 million of existing loans from Ferrovial to equity loan on 26 February 2020 with no fixed repayment date, and by the deferral of the repayment of £85.0 million of other loans from Ferrovial for a further year to 31 July 2021. With effect on 31 December 2020, these loans of £85m will be extinguished as part of a further recapitalisation of the Amey Group for additional total equity of £112 million.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### **Going Concern** *(continued)*

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

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

The Amey 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.

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 Amey Group does not rely on Ferrovial contractual guarantees there are no implications to the ongoing trading operations of the Amey 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.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### **Going Concern** *(continued)*

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 Amey Group has paid the £160 million to Birmingham City Council. £75 million was provided by Ferrovial and the balance was from the Amey 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
- 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 Amey Group on 26 February 2020 which were replaced with an equity loan with no fixed repayment date;
- Ferrovial will also be extinguishing a further £85 million of loans to the Amey Group with effect on 31 December 2020 as part of a further recapitalisation of the Amey Group for additional equity totalling £112 million.
- 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 Amey 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.

## Notes to the financial statements *(continued)*

### 1 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 Amey 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 past few months, the Amey 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 Amey 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 £50 million 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 £118 million (associated profit impact: £46 million loss) representing 6.2% 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 £1.669 billion.

Overlaid on these scenarios the Directors have incorporated the various UK Government initiatives that have

- 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 Notes 02/20 and 04/20: Supplier relief due to COVID-19 which has ensured stability of revenue and cash flows during the course of the pandemic;
- The ability to defer VAT payments due for the period March to June 2020. The Group intends to repay deferred VAT in full by 31 March 2022 under HMRC's new payment scheme; 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.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### **Going Concern** *(continued)*

The additional liquidity provided by the above initiatives have given the Board assurance that the Amey 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).

#### **Revenue recognition**

Turnover comprises unitary revenue recognised by the Group in respect of services supplied, landfill tax pass-through revenue and other pass-through revenue, all exclusive of Value Added Tax and trade discounts. Turnover from waste disposal activities is recognised on receipt of the waste.

Revenue from other contract activities represents fee income receivable in respect of services provided during the year. Estimates are included of amounts not yet invoiced.

All revenue excludes Value Added Tax.

#### **Financial assets**

The Group classifies its financial assets as loans and receivables as discussed below. The Group has not classified any of its financial assets as held to maturity or available for sale.

The Group's accounting policy for each category is as follows:

##### *(i) Financial assets - loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables) under PFI/PPP contracts but also incorporate other types of contractual monetary asset. They are carried at cost less any provision for impairment. Interest bearing financial assets are subsequently measured at amortised costs using the effective interest rate (EIR) method. Interest calculated in accordance with this policy is recognised in finance income in the income statement.

The other loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts.

## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### **Financial assets** *(continued)*

##### *(i) Financial assets - loans and receivables (continued)*

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net; such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

#### **Financial liabilities**

Trade payables and other short-term monetary liabilities are recognised at amortised cost.

#### **Called-up share capital**

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Parent Company's ordinary shares are classified as equity instruments.

#### **Intangible asset**

The financial asset and intangible asset split is based on the proportion of "guaranteed" consideration received from the Authority (the financial asset), relative to total expected consideration (calculated on an NPV basis excluding "pass-through" consideration). The balance between the financial asset proportion and the fair value of the construction services is reflected as an intangible asset. The only "guaranteed" element of consideration from the Authority is the capital contribution. The sponsor's solution proposes a variable payment from the Authority on the basis of waste procured by the sponsor under the Authority's right to exercise first call over a finite element of annual waste processing capacity. These variable payments have been treated as relating to the intangible asset as they are not "guaranteed" consideration receivable from the Authority.

At practical completion of the construction of the waste treatment facilities, a capital contribution was received from the Authority. On the basis that this capital contribution represents a "guaranteed" element of consideration from the Authority, it has been allocated against the financial asset, but only to the extent that it reduces the balance to £nil, and does not result in a negative financial asset.

To the extent that the capital contribution balance received exceeds the financial asset at practical completion, this has been recognised as a "payment on account" within the liabilities section of the balance sheet. This is on the basis that the payment made is in advance of services to be delivered during the operational period. The release profile of the payment on account in any given period is the amount of the Authority waste for that period as a proportion of the total Authority waste for the remainder of the concession (including that given period).

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## Notes to the financial statements *(continued)*

### 1 Accounting policies *(continued)*

#### ***Intangible asset (continued)***

Amortisation is included in cost of sales in the income statement. The Group is amortising the intangible asset on a straight line basis over the remaining term of the public-private partnership concession period to March 2033.

#### ***Taxation***

The tax payable represents the sum of the tax currently payable and deferred tax.

#### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

#### ***Deferred taxation***

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets are recovered.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable Group. Deferred tax is not discounted.



## Notes to the financial statements (*continued*)

### 2 Critical accounting judgements and key sources of estimation uncertainty

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

### 3 Financial instruments – risk management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Cash flow interest rate risk
- Liquidity risk

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

#### ***Principal financial instruments***

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Financial assets

A summary of the financial instruments held by category is provided below.

#### ***Financial assets***

Financial assets are classified as trade and other receivables and intangible assets.

## Notes to the financial statements (*continued*)

### 3 Financial instruments – risk management (*continued*)

#### **General objectives, policies and processes**

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

#### **Credit risk**

The Group's main financial assets are cash and cash equivalents, trade and other receivables. The Group's credit risk is mainly attributable to its public sector trade receivables from local authorities and is therefore considered by the Directors to be very minimal. The amounts are carried on the balance sheet net of any provision for doubtful receivables estimated by the Directors based on experience and an evaluation of prevailing economic circumstances.

None of the financial assets are past due.

#### **Liquidity risk**

Liquidity risk is defined as the risk that the Group would not be able to settle or meet its obligations on time or at a reasonable price. Management is responsible for liquidity, funding and settlement management. In addition, liquidity and funding risks, as well as related processes and policies, are overseen by management. The Group manages its liquidity risk based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility.

#### **Capital Structure**

The Group manages its cash, overdrafts and equity as capital. The Group's principal objective is to ensure that the Group has sufficient capital to fund its operations. In developing business plans, management consider the likely capital requirements and how to fund these requirements.

The Group's capital was summarised as follows:

	2019 £000	2018 £000
Cash and cash equivalents	141	2,404
Total shareholders' deficit	(7,919)	(5,169)
Total capital	<u>(7,778)</u>	<u>(2,765)</u>

## Notes to the financial statements (continued)

### 4 Revenue

An analysis of the Group's revenue is as follows:

	2019 £000	2018 £000
<b>Continuing operations</b>		
Revenue from construction contracts	-	2,754
Waste processing services	11,749	9,158
	<u>11,749</u>	<u>11,912</u>
Other income	-	1,740
	<u>11,749</u>	<u>13,652</u>

### 5 Operating profit

	2019 £000	2018 £000
Operating profit is stated after charging:		
Auditor's remuneration relating to the audit of the financial statements	13	13

### 6 Directors and key management personnel remuneration

No staff were directly employed by the Group (2018: none). Services provided by the contractors include the provision of staff and management to perform contractual responsibilities. Costs associated with the staff and management are included within the contractors' service charge.

None of the Directors received emoluments directly from the Group (2018: nil). Payments of £56,000 were made in the year for services of Directors to their employers (2018: £54,000).

### 7 Finance income and expense

	2019 £000	2018 £000
<b>Finance income</b>		
Interest income on financial assets measured at amortised cost	-	1,657
Interest on bank deposits	7	10
Other interest receivable	4	-
Total finance income	<u>11</u>	<u>1,667</u>
<b>Finance expense</b>		
Interest expense on financial liabilities measured at amortised cost	-	943
Interest payable on shareholder loan	1,160	1,417
Total finance expense	<u>1,160</u>	<u>2,360</u>
<b>Net finance expense recognised in the income statement</b>	<u>(1,149)</u>	<u>(693)</u>

## Notes to the financial statements (*continued*)

### 8 Taxation

	2019 £000	2018 £000
<i>Current tax</i>		
Current year charge/(credit)	190	(2,357)
Prior year charge	2,357	-
	<u>2,547</u>	<u>(2,357)</u>
<i>Deferred tax</i>		
Origination and reversal of temporary difference	-	2,878
Prior year credit	(4,299)	-
	<u>(4,299)</u>	<u>2,878</u>
Total tax (credit)/charge	<u>(1,752)</u>	<u>521</u>
(Loss)/profit before tax	(998)	1,199
Expected tax credit/(charge) based on the standard rate of United Kingdom corporation tax at the domestic rate of 19% (2018: 19%)	190	(228)
Effect of change in tax rate	-	(339)
Permanent differences	-	1,088
Prior year adjustment	(1,942)	-
Total tax (credit)/charge	<u>(1,752)</u>	<u>521</u>

### 9 Intangible asset

	2019 £000
<i>Cost</i>	
At 1 January 2019	26,129
Additions	-
At 31 December 2019	<u>26,129</u>
<i>Amortisation</i>	
At 1 January 2019	1,461
Charge for the year	1,731
At 31 December 2019	<u>3,192</u>
<i>Net book value</i>	
At 31 December 2019	<u>22,937</u>
At 1 January 2019	<u>24,668</u>

Note 1 includes a description of what the intangible asset relates to and the associated accounting policy adopted by the Group.

## Notes to the financial statements (continued)

### 10 Trade and other receivables

	2019 £000	2018 £000
Trade receivables	794	-
Amounts due from fellow group undertakings	190	-
Other receivables	1,498	1,231
Corporation tax	-	425
<b>Total trade and other receivables</b>	<b>2,482</b>	<b>1,656</b>
Included in the balance sheet as follows:		
Current	<b>2,482</b>	<b>1,656</b>

Amounts due from fellow group undertakings are unsecured and payable on demand. Book values approximate to fair value at 31 December 2019.

### 11 Trade and other payables

	2019 £000	2018 £000
<b>Current</b>		
Amounts owed to fellow group undertakings	-	2,355
Accruals	1,318	1,177
Other creditors	-	1
Deferred income	1,731	1,948
	<b>3,049</b>	<b>5,481</b>
<b>Non-current</b>		
Deferred income	21,206	22,721
Total financial liabilities, excluding loans and borrowings classified as financial liability measured at amortised cost	<b>24,255</b>	<b>28,202</b>

Amounts owed to fellow group undertakings are unsecured and payable on demand. Book values approximate to fair value at 31 December 2019.

## Notes to the financial statements (*continued*)

### 12 Loans and borrowings

The book value and fair value of loans and borrowings are as follows:

	Book and fair value 2019 £000	Book and fair value 2018 £000
<b>Current</b>		
Shareholder loan	1,039	1,065
<b>Non-current</b>		
Shareholder loan	8,185	8,929
Total loans and borrowings	<u>9,224</u>	<u>9,994</u>

Book values approximate to fair value at 31 December 2019.

Principal terms and the debt repayment schedule of the Group's borrowings are as follows as at 31 December 2019:

	Currency	Nominal rate %	Year of maturity
Shareholder loan fixed interest rate	Sterling	12.50%	2031

### 13 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17%.

The movement on the deferred tax account is as shown below:

	2019 £000	2018 £000
At beginning of year	4,299	1,421
Recognised in the income statement		
Tax credit	(4,299)	2,878
At 31 December	<u>-</u>	<u>4,299</u>

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%.

## Notes to the financial statements (continued)

### 14 Called-up share capital

	2019 Number	2019 £000	2018 Number	2018 £000
<b>Authorised, issued and fully paid</b>				
Ordinary shares of £1 each	<u>50,000</u>	<u>50</u>	<u>50,000</u>	<u>50</u>

### 15 Reserves

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Retained earnings	All net gains and losses and transactions with owners not recognised elsewhere.

### 16 Related party transactions

During the year the Group entered into the following transactions with related parties:

	2019 Purchase of goods/ services £000	2019 Amounts owed to/(due from) related parties £000
<b>Amey UK plc group and subsidiaries</b>		
AmeyCespa (MK) ODC Limited	613	(240)
Amey Ventures Management Services Limited	1,133	4,612
Cespa Ventures Limited	993	4,612
	<u>2,739</u>	<u>8,984</u>
	2018 Purchase of goods/ services £000	2018 Amounts owed to related parties £000
<b>Amey UK plc group and subsidiaries</b>		
AmeyCespa (MK) ODC Limited	2,215	8
Amey Ventures Management Services Limited	2,436	4,997
Cespa Ventures Limited	2,313	4,997
	<u>6,964</u>	<u>10,002</u>

## Notes to the financial statements (continued)

### 16 Related party transactions (continued)

Amounts due from/(owed to) related parties are classified in the financial statements as follows:

	Accrued Income £000	Other receivables £000	Accruals £000	Other creditors £000	Total £000
<b>2019</b>					
Amey Ventures Management Services Limited	-	-	-	(4,612)	(4,612)
Cespa Ventures Limited	-	-	-	(4,612)	(4,612)
AmeyCespa (MK) ODC Limited	624	871	(1,255)	-	240
	<u>624</u>	<u>871</u>	<u>(1,255)</u>	<u>(9,224)</u>	<u>(8,984)</u>
<b>2018</b>					
Amey Ventures Management Services Limited	-	-	-	(4,997)	(4,997)
Cespa Ventures Limited	-	-	-	(4,997)	(4,997)
AmeyCespa (MK) ODC Limited	1,156	-	(1,163)	(1)	(8)
	<u>1,156</u>	<u>-</u>	<u>(1,163)</u>	<u>(9,995)</u>	<u>(10,002)</u>

### 17 Contingent liabilities

As a member of the Amey UK plc Group of Companies, the Company is a participator in the Amey Group VAT registration and HMRC UK Corporation Tax Group Payment arrangement and is jointly and severally liable with other group companies for the total Amey Group balances outstanding. At 31 December 2019, the only net liability arising across the Amey Group was £31,332,000 (2018 - £27,937,000) in respect of VAT.

The Company has guaranteed certain performance bonds and borrowings of certain group undertakings.

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

### 18 Ultimate parent undertaking

AmeyCespa (MK) Holding Co Limited is under the joint ownership and control of Amey Ventures Asset Holdings Limited and Cespa Ventures Limited.

Amey Ventures Asset Holdings Limited is a wholly owned subsidiary within the Amey UK plc group, whose ultimate parent is Ferrovial, S.A., a company incorporated in Spain.

Cespa Ventures Limited is a wholly owned subsidiary of Cespa UK Limited, a company incorporated in the UK, whose ultimate parent is Ferrovial, S.A., a company incorporated in Spain.

As such, the ultimate parent undertaking and controlling party is Ferrovial, S.A.

Copies of the group financial statements of Ferrovial, S.A., which is also the parent of the largest and smallest groups for which group financial statements are prepared and of which the Company is a member, can be obtained from:

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



## Notes to the financial statements *(continued)*

### 19 Post balance sheet events

#### *COVID-19 pandemic impact on the Amey Group*

Since the year end, the global COVID-19 pandemic has led to significant challenges for the Amey Group to meet, particularly with regards to ensuring the health and safety of employees. The Amey 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 Amey 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 Amey Group responded 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 Amey 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 £50 million 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 disrupted 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 past few months, 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 Notes 02/20 and 04/20: Supplier relief due to COVID-19 which has ensured stability of revenue and cash flows during the course of the pandemic;
- (iii) The ability to defer VAT payments due for the period March to June 2020. The Amey Group intends to repay deferred VAT in equal monthly instalments up to 31 March 2022 under HMRC's new payment scheme;
- (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; and
- (v) The additional liquidity provided by the above initiatives have given the Board assurance that the Amey Group will have sufficient resources to cope with the worst-case scenario above without breaching covenant limits.

**Company balance sheet**  
As at 31 December 2019

	Notes	2019 £000	2018 £000
<b>Non-current assets</b>			
Investment in subsidiary undertaking	23	50	50
<b>Total assets</b>		<u>50</u>	<u>50</u>
<b>Issued capital and reserves attributable to equity shareholders of the Parent Company</b>			
Called-up share capital	24	50	50
Retained losses	21	-	-
<b>Total shareholders' deficit</b>		<u>50</u>	<u>50</u>

The financial statements of AmeyCespa (MK) Holding Co Limited, registered number 08538303, on pages 32 to 37 were approved and authorised for issue by the Board of Directors on 24 December 2020 and were signed on its behalf by:

  
**E. Hevia González**  
Director

The notes on pages 34 to 37 form part of these financial statements.

**Company statement of changes in equity**  
**For the year ended 31 December 2019**

	<b>Called-up share capital £000</b>
Balance at 1 January 2018	50
Result for the year	-
Balance at 31 December 2018	<u>50</u>
<b>Balance at 1 January 2019</b>	<b>50</b>
<b>Result for the year</b>	<b>-</b>
<b>Balance at 31 December 2019</b>	<b><u>50</u></b>

The notes on pages 34 to 37 form part of these financial statements.

## Notes to the Company's financial statements

(forming part of the financial statements)

### 20 Accounting policies

AmeyCespa (MK) Holding Co Limited (the Company) is a private company limited by shares, incorporated under the Companies Act 2006 and domiciled in the United Kingdom and registered in England & Wales (company registration number 08538303). The Company's registered address is specified in the strategic report on page 2. The Company is a holding company and the principal activity of its subsidiary, AmeyCespa (MK) SPV Limited, is the design, installation, operation and maintenance of residual waste treatment facilities under a public-private partnership concession. The Company's parent company and ultimate parent undertaking are disclosed in note 26 on page 37.

#### **Basis of preparation**

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the historical cost convention and in accordance with the Companies Act 2006.

The following exemptions from the requirements of International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial instruments: disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement': disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities
- Paragraph 38 of IAS 1, 'Presentation of financial statements': comparative information requirements in
  - 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': reconciliations between the carrying amount at the beginning and end of the period
- The following paragraphs of IAS 1:
  - 10(d): statement of cash flows
  - 10(f): a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements
  - 16: statement of compliance with all IFRS
  - 38A: requirement for minimum of two primary statements, including cash flow statements
  - 38B-D: additional comparative information
  - 40A-D: requirements for a third statement of financial position
  - 111: cash flow information
  - 134-136: capital management disclosures
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors': requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective
- Paragraph 17 of IAS 24, 'Related party disclosures': key management compensation
- The requirements of IAS 24: disclosure of related party transactions entered into between two or more members of a group.

## Notes (continued)

### 20 Accounting policies (continued)

#### *Basis of preparation (continued)*

##### *Investment in subsidiary undertakings*

Investment by the Company in the shares of subsidiary undertakings are stated at cost less any provision, where in the opinion of the Directors, there has been a permanent impairment in the value of any investment.

##### *Deferred tax*

Deferred tax is recognised on all timing differences where the transaction or events that give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

##### *Called-up share capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's ordinary shares are classified as equity instruments.

### 21 Company statement of comprehensive income

AmeyCespa (MK) Holding Co Limited has taken advantage of Section 408 (2) and (3) of the Companies Act 2006 and has not included its own statement of comprehensive income in these financial statements. The Company's results for the financial year are disclosed in the Company statement of changes in equity.

## Notes (continued)

### 22 Key management personnel compensation

During the year, no remuneration was paid to the key management personnel of the Company.

### 23 Investments in subsidiary undertakings

The Company's investments are as follows:

	2019 £000	2018 £000
Investment in subsidiary	<u>50</u>	<u>50</u>

The subsidiary of AmeyCespa (MK) Holding Co Limited, which has been included in the consolidated financial statements, is:

Name and registered address	Country of incorporation	Proportion of ownership interest at 31 December 2018
AmeyCespa (MK) SPV Limited Chancery Exchange 10 Fumival Street London EC4A 1AB	United Kingdom	100%

### 24 Called up share capital

	2019 Number	2019 £000	2018 Number	2018 £000
Authorised, issued and fully paid Ordinary shares of £1 each	<u>50,000</u>	<u>50</u>	<u>50,000</u>	<u>50</u>

### 25 Related party transactions

During the year the Company did not enter into any transactions with related parties.

**Notes (continued)**

**26 Ultimate parent undertaking**

AmeyCespa (MK) Holding Co Limited is under the joint ownership and control of Amey Ventures Asset Holdings Limited and Cespa Ventures Limited.

Amey Ventures Asset Holdings Limited is a wholly owned subsidiary within the Amey UK plc group, whose ultimate parent is Ferrovial, S.A., a company incorporated in Spain.

Cespa Ventures Limited is a wholly owned subsidiary of Cespa UK Limited, a company incorporated in the UK, whose ultimate parent is Ferrovial, S.A., a company incorporated in Spain.

As such, the ultimate parent undertaking and controlling party is Ferrovial, S.A.

Copies of the group financial statements of Ferrovial, S.A., which is also the parent of the largest and smallest groups for which group financial statements are prepared and of which the Company is a member, can be obtained from:

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