

Amey UK plc

Annual Report and Financial Statements

Year ended 31 December 2016

Company number: 04736639

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Company Information**Directors**

Sir Richard Mottram, *Chairman*

S Olivares, *Vice Chairman*

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C Hui

A Milner

F. Gonzalez de Canales Moyano

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Deloitte LLP, Chartered Accountants and Statutory Auditor, 2 New Street Square, London, EC4A 3BZ, United Kingdom

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Chief Executive Officer's Summary

Amey is a leading UK provider of public services with a history that stretches back almost 100 years, an accomplished organisation with exceptional people. We provide a wide range of skills and capabilities that enable us to deliver an industry leading service to our customers, creating better places to live, work and travel. With the support of our parent company Ferrovial, Amey have a strong, market leading position.

It is true that our markets have plateaued. Many of our customers have made large budget cuts and that will continue. Our customers want more services and better delivery but have much less money. As well as challenging markets our business had become overly complex, some of our operations were not properly controlled, and the cost of running our business was too high.

I launched Fit 4 the Future in April 2016 to stabilise the business, to reduce costs and start to address our internal problems. We have made excellent progress in the last 12 months, achieving £15m in year saving and a fully transparent £35m annualised saving. As part of the transformation programme we established a new operating model and restructured the business into four business units which focused on our key markets, Environmental Services, Highways, Utilities and Facilities Management, and Consulting and Rail.

2016 was a challenging year but we have created a stable platform with improved transparency, accountability and performance, increasing our opportunity for future growth and success. It is now time to launch a new strategy for the business with new core values that underpin everything that we do. The new strategy for Amey began with the Fit 4 the Future programme which will continue through 2017 and is now focusing on improving our systems and streamlining our processes, making Amey more efficient but also a simplified and an easier business to work in and to work with.

A core building block of our strategy is to optimise core business activity and to deliver our commitments brilliantly, every day. We will be consistently recognised by our customers for outstanding delivery that makes a real difference to communities and workplaces. To respond to difficult markets, we will work together to combine expertise and develop differentiated capability using the full breadth of the business. We have unique opportunities to add value to our customers by adding data analytics, asset management, engineering and other innovative capabilities to our services, delivering the very best solutions, every day.

In challenging market conditions we secured some notable contracts throughout the year, and across the business including a 10 year contract with Surrey Waste Partnership, worth over £100 million. The rail business secured a contract with Network Rail to deliver upgraded power supplies between Reading and Paddington, which is crucial to the modernisation of the Great Western Main Line. We have also been awarded a contract to deliver Facilities Management services at the Ministry of Justice's new £212 million 2,100 capacity prison, HMP Berwyn on behalf of the National Offender Management Service (NOMS). Amey's forward order book now stands at £10.5 billion.

We will work to develop opportunities where we can take responsibility for the whole asset lifecycle which includes great delivery, innovation and combining expertise, but also our ability to finance asset development and manage risk.

To underpin these activities and opportunities, we will focus on three values:

- Putting People First – looking out for each other
- Delivering Great Service – brilliantly meeting our promises
- Creating Better Solutions – improving everything we all do

Safety is still our biggest priority and the Target Zero work that we are implementing is supported by the whole business, looking out for ourselves and each other. Above all else, we must achieve zero harm in Amey.

We are making great progress and delivering on this year's plans will enable us to transform the business and build a leading, successful and sustainable business.



Andy Milner
Chief Executive Officer, Amey
 28 April 2017

Divisional and Business Update

2016 saw the company operating across four business units: Highways, Consulting and Rail, Utilities and Facilities Management, and Environmental Services. Alongside our business units we have a business area that focuses on the Justice market.

Highways

Our Highways business unit manages and maintains the road, and street lighting networks for local authorities, Highways England, Road Service Northern Ireland and Transport Scotland. We understand the importance of safe, well-functioning road networks and aim to reduce congestion and improve journey times.

2016 saw the amalgamation of our motorway and trunk road services with the services we provide across the local authority highways network, to create a consolidated business unit, aimed at fostering growth, improving collaboration and the sharing of best practice. We also bolstered the leadership of the business unit in May with the appointment of James Haluch as Managing Director.

The business unit's revenue in 2016 totalled £542 million, (2015: £587 million). Operating losses before exceptional items were £70.2 million (2015: £29.7 million). A number of exceptional items totalling to a net charge of £6.9 million arose in the year (2015: £55.0 million), further details of which can be found in note 3 to the financial statements. Operating losses after exceptional items stood at £77.1 million (2015: £84.7 million).

In July 2016 we secured a new maintenance and response contract in Area 7 for Highways England, supporting their new in-house management approach. The contract, worth up to £300 million over 15 years, sees us maintaining routes through Northamptonshire, Leicestershire, Derbyshire, Nottinghamshire and Lincolnshire. We also look after stretches of the M1 motorway, as well as the M69, M45 and M6.

During 2016, we began the transition of our Sheffield Streets Ahead PFI contract from the capital investment period to the maintenance period and we successfully re-financed the project in December. We also achieved a positive outcome for our Birmingham Highways Maintenance and Management contract, following the resolution of a long running issue.

The resolution of this issue with Birmingham created an exceptional credit of £8.0 million for the Highways business unit. We did however incur an exceptional cost of £9.9 million following a contract claim from Herefordshire County Council and £5.0 million on a claim on the Cumbria County Council contract.

Amey, received a number of awards throughout the year for its work to repair and reopen the Forth Road Bridge following a major truss failure in December 2015, including the Saltire Civil Engineering Award and the Institute of Civil Engineering People's Choice Award. During the latter part of the year we also commenced preparations for the opening of the Queensferry crossing, which we will be managing from the first half of 2017.

The continued pressure on local and national government budgets has created major challenges in achieving positive outcomes for citizens and has led to some reductions in volume and margins of maintenance work for the business. In March we saw our highways contract with Central Bedfordshire Council and Bedford Borough Council come to an end after delivering maintenance services in the county for over 10 years. We also came to a mutual agreement with Highways England to exit our contract for Areas 6 and 8 early, with the process completing in early 2017.

The new management team has also reviewed the ongoing contracts, which has resulted in a more prudent assessment of the contract portfolio.

We however, remain fully committed to the Highways market and have continued our focus on innovation and intelligent management systems, such as the use of sensors to direct our winter maintenance efforts, gully sensors to help our efficient management of drainage systems to prevent flooding and mobile asphalt mixers to improve the quality of patching works on roads. These, coupled with other innovations we have developed, ensure that we are able to deliver cost efficient services and address financial market challenges.

Utilities and Facilities Management

The Business Unit operates across an increasingly diverse portfolio of accounts. These include maintenance and capital projects across the water and power sectors, metering installations for several of the UK's largest energy supply companies and facility management activities for local and central government departments such as the Ministry of Justice.

Divisional and Business Update *(continued)*

Utilities and Facilities Management *(continued)*

Everyday we keep homes and businesses connected to the essentials like clean water, gas and power and keep workplaces, schools, hospitals, prisons, military housing, and airports productive, safe and clean.

The business unit's revenue, including share of revenues of joint ventures, in 2016 totalled £1,143 million, (2015: £980 million). Operating profits, including share of profit after tax of joint ventures, were £36.9 million (2015: £59.9 million) and reflected the closing out of legacy Power Major Projects issues and meeting the expectations of our utility customers who operate in commercially competitive environments under formal regulatory constraints and government departments which are under considerable fiscal pressures to deliver services at lower costs.

In October 2016, Kevin Fowlie was appointed as Managing Director for Utilities. Kevin initially joined the company on the graduate programme in 2003 as a Commercial Manager working on our water contracts. We are currently in the process of appointing a Managing Director for Facilities Management, which will ensure the business unit is best placed to maximise upcoming market opportunities.

The energy metering business has grown during the year as we support a number of the UK's largest energy businesses to deliver their business plans on SMART metering rollout. We have had significant focus on the recruitment, training and development of people to deliver these works with over 120 new trainees and ex service personnel employed during the year which we forecast will grow further in 2017.

Throughout 2016, the team also continued to expand its presence in London by another contract for the London Boroughs Total Facilities Management Framework. The innovative framework commenced in 2013 and is an integrated approach to total facilities management.

The Ministry of Justice awarded the company a contract to deliver Facilities Management services at the new £212 million, 2,100 capacity prison, HMP Berwyn on behalf of the National Offender Management Service (NOMS). The contract builds upon our five-year contract, awarded in November 2014 to provide total facilities management to 61 Ministry of Justice custodial estates. The contract will also support the UK Government's Transforming Rehabilitation programme through the provision of work experience.

In 2016, the Facilities Management Team also restructured their operations placing a greater emphasis on a technical and energy led business delivery model that provides greater customer service, increased productivity and efficiency through a Standard Operating Model (SOM) and technical services. A group of senior stakeholders from across the business were brought together to use their wealth of experience and share best practice. This ensured that our specialist services offering was more consistent and delivered to clients in a more targeted and efficient way enabling greater opportunities for sustainable growth in the facilities management market.

In November, the Business Unit held its fourth innovation event. A network of Contract Improvement Groups pitched problem solving innovations to a panel of judges. Ideas are then sponsored by a member of the management team, helping us to find better and safer ways of doing things.

Consulting and Rail

The Consulting and Rail business unit comprises Amey's advisory, infrastructure design and rail and metro delivery businesses. We help manage client's investments by helping to balance cost, risk and performance of every asset. It means smart long-term decisions, minimising costs and maximising the benefits throughout the life of their infrastructure.

Our Consulting business is a leading provider of design, asset management and other professional services to leading UK and international clients. The Rail business is one of the UK's principal rail systems contractors with particular expertise in track, signalling and electrification systems.

The business unit maintained growth targets and win rates in 2016, despite a challenging year, with notable successes across the highways and rail businesses. The pipeline grew to include some major opportunities with Highways England and Network Rail whilst the Consulting business continued to diversify into new markets, including ports, defence and power.

Divisional and Business Update *(continued)*

Consulting and Rail *(continued)*

In May, Nicola Hindle was appointed Managing Director after joining Amey in 2005 as the Finance Director for Consulting and Strategic Infrastructure. Nicola has supported the organic growth of the business unit and led a number of key acquisitions within the Rail, Utilities and Aviation markets, strengthening and diversifying Amey's portfolio of services.

The business unit's revenue, including share of revenues of joint ventures, in 2016 totalled £486 million, (2015: £493 million). Operating profits, including share of profit after tax of joint ventures, were £43.6 million a reduction from (2015: £69.9 million) following the natural conclusion of some mature contracts across the business unit

The Rail business is the highest ranked provider to Network Rail (Network Rail measure) and has continued to experience good growth and performance across new and existing contracts. In April, the business was awarded a contract by Network Rail to deliver upgraded power supplies between Reading and Paddington, a crucial update to the future operation of Elizabeth line services as well as the modernisation of the Great Western Main Line.

The S&C North Alliance – a partnership between AmeySersa and Network Rail – achieved a UK first after successfully delivering a 125mph line speed handback on an East Coast Main Line switch and crossing project.

It was announced in August that Amey's contract with Transport for London, to manage and maintain the Jubilee, Northern and Piccadilly Tube lines will move back in house at the end of 2017, however we expect an ongoing programme of investments into the UK rail network covering reliability and maintainability, track and signalling and enhancement services.

The Consulting business continued to diversify and created a new team of specialists dedicated to data, analytics and technology in infrastructure. The team also formed a new joint venture with drone technology experts, VTOL Technologies, to transform asset management inspections – making it safer, quicker and easier to assess infrastructure such as bridges and railways.

In December, the business also won a new contract providing engineering design expertise to 840 miles of strategic road network in the north, across areas 13 and 14 for Highways England.

Overall, the business unit continues to perform well, with strong international growth benefiting from the maturity of the asset management strategy. In America, the business secured an enterprise-wide asset management programme with the New York Metropolitan Transportation Authority and in Australia, Amey is working with Arup to design a Smart Motorway solution for the M4 in New South Wales, Australia – the first project of its kind in the region.

Environmental Services

Our Environmental Services business unit delivers a range of services from street cleansing and grounds maintenance to waste collection and treatment. We have a wealth of experience working with local authorities and businesses of all sizes to help meet their sustainability and environmental challenges by providing cost-effective, comprehensive waste and resource management solutions.

We see waste as a resource to be reused, recycled and turned into energy. Our vision is to eradicate the need to use landfill for disposing of waste materials and move towards a 'zero-waste economy'. We also deliver local initiatives that encourage people to recycle more, as well as running educational centres and programmes designed to engage communities in national waste reduction programmes.

In July, Robert Edmondson took over as Managing Director for Environmental Services after joining Amey in 2013 to lead the environmental and waste services accounts.

The business unit's revenue including share of revenues of joint ventures in 2016 totalled £339 million (2015: £341 million). Operating losses were £5.6 million (2015: £24.7 million profit)

As a business we continue to strengthen our capabilities in this sector. Our new Milton Keynes Waste Recovery Park is in its final stages of commissioning. During 2016 one of our specialist contractors for the project, Energos entered administration and the additional costs and delays to construction associated with securing an alternative technology solution impacted the business unit's financial performance. By working closely with the supply chain the site remains on

Divisional and Business Update (*continued*)

Environmental Services (*continued*)

track to become operational in 2017. Construction work on Allerton Waste Recovery Park in North Yorkshire is ongoing and on target for an operational opening in 2018. We are also continuing with plans for a waste treatment facility on the Isle of Wight. When completed, these facilities will make Amey a power generator, creating enough electricity to power the equivalent of 60,000 homes.

We have been successful in winning a new 10 year contract with Surrey Waste Partnership, worth over £100 million. The contract will see us delivering collection services for four local authorities, with the potential to incorporate other partner authorities.

Our capabilities in the commercial waste market also continue to grow and we now have over 15,000 customers.

With marketplace austerity continuing to put pressure on our local authority customers, it means we have continued our focus on flexibility, delivering services differently and innovation. We have trialled a number of new initiatives including: Revive – an online platform used in Household Waste Recycling Centres, Smart Bins, which help us to understand how we can influence and change resident behaviours, and wearable technology, which has helped us to improve employee health and wellbeing.

Justice

Through our joint venture companies, we provide a range of services which span the Justice system in England and Wales; from planning and providing secure prisoner transportation, to maintaining the prison estate and supporting offender rehabilitation.

Through the GEOAmey joint venture, we provide management of the cell and dock areas in over 220 courts in the UK as well as providing secure transport to those suites from prisons and police stations. In 2016 GEOAmey undertook more than 12,500 prisoner transfers every week. In a year that saw a number of significant disruptions at HMP Lewes, HMP Bedford, HMP Moorland and HMP Birmingham, GEOAmey was on call to support HM Prisons in a system wide effort to bring matters to a safe and speedy conclusion.

In July, GEOAmey was successful in securing a contract with the Youth Justice Board to deliver transportation and custody suite services for children and young people under the age of 18 in England and Wales. As part of the contract we are responsible for the safeguarding and protection of young people while they are in our care.

Amey, as part of the MTCnovo joint venture, operates two Community Rehabilitation Companies in London and the Thames Valley, to help, support and reintegrate medium to low risk offenders back into society. In May, MTCnovo also began delivering services to Rainsbrook Secure Training Centre on behalf of the Youth Justice Board. Rainsbrook accommodates young people aged between 12 and 18, who are either serving a custodial sentence or are remanded to a secure facility.

With the on-going challenges and growing demand within the prison and probation system, our focus is on supporting the Ministry of Justice in its overall policy of reducing re-offending, by delivering services where Amey and our partners add value and innovate to improve offender management and rehabilitation.

Health, Safety and Environment

As a business, we believe injuries are not inevitable, harm is not acceptable and risks are ours to manage. We are also committed to ensuring we operate a sustainable business, reducing our carbon footprint, using resources effectively and protecting our natural environment.

Health and Safety

Our health and safety performance largely flat lined in 2016, our Amey Employee Injury Rate reduced by 4% and the absolute number of injuries to all those who work for and with Amey reduced by 7% compared with 2015.

Health, Safety and Environment (*continued*)

We are however not complacent, people are still being hurt when they work for Amey and we must make sure this stops happening. Despite our efforts to continue to embed the company wide Target-Zero strategy which has seen an increase in close call reporting by 23%, we saw our RIDDOR Injury Frequency Rate increase by 3% and very sadly experienced our first fatality in 10 years when a colleague died in Daventry in April.

We recognise and understand that safety needs to be a constant focus and priority for the business and during 2016 we developed a transformational programme to radically change how we manage health and safety in the business, through better systems, better support and better skills. Zero harm requires buy in at all levels of the business from front line staff to the Executive Team ensuring we all make the right choices every day.

Our efforts to improve the working environment for employees in our business were recently recognised at the UK Rail Industry Awards where the team collected the Workforce Safety Award after achieving their lowest Accident Incident Rate since 2001. Following an audit by the British Safety Council, Amey was also presented with the British Safety Council Sword of Honour for their commitments to excellent health and safety management standards.

Environmental Performance

During 2016, we focused on reducing the carbon footprint of our fleet vehicles. This has included the continued installation of telemetry into our commercial fleet, allowing us to better monitor and improve the utilisation of our vehicles. It has also helped to change driver behaviour and in turn reduce overall emissions. We have also continued to promote conferencing facilities to reduce employee travel hours. This work has seen the carbon emissions arising from the fleet reduce by 8% compared to 2015 and the emissions from rail and air travel fall by 6%.

Our People

Everything we do across the business is achieved by our employees, therefore our future success is determined by the quality and success of our people and their skills.

IIP

Amey retained its Investors in People Gold and Champion Status following reaccreditation in 2015.

Graduates and Apprentices

Providing a structured, engaging and welcoming workplace for graduates and apprentices to develop their careers remains a key focus for us. In February, Amey was named as a Top 100 Apprenticeship Employer for the third consecutive year and in April the company became a gold sponsor of Enactus UK, a not-for-profit organisation that organises student-led social enterprise projects for university students across the UK. Our pipeline of talent has been further strengthened throughout 2016 with the recruitment of 51 apprentices and 80 graduates.

Diversity

During 2016 the Executive Team committed to ensuring that employee diversity and inclusion formed part of the company's strategic priorities. The strategy focuses on three themes: Raising awareness and engaging people with inclusion, helping people to grow their careers at Amey and developing a reputation as a champion for diversity and inclusion.

Throughout the year the company held its first inclusion week and launched an LGBT and women's network with a combined membership of over 600 employees to encourage greater gender diversity in engineering, 1900 managers were trained in unconscious bias and the Executive Team signed the 'He for She' pledge for gender equality. We also signed the CIHT's Diversity and Inclusion Charter, which requires signatories to recognise, respect, capitalise and celebrate diverse people at all levels of the business.

We recognise the importance of employing a diverse workforce and have worked with the Clear Company on a project to develop the sector's ability to attract, recruit and on-board diverse talent. The Clear Company is currently undertaking a comprehensive review of our processes and we will utilise the findings to ensure inclusive recruitment. Amey currently holds Investors in Diversity accreditation and the company has made it a corporate goal for 2017 to achieve Leaders in Diversity accreditation in 2017.

Social Value

Our aim is to create sustainable communities by working with our customers, partners and suppliers to maximise long-term benefits for the wider community and create positive social change.

Our community engagement programme focuses on four key priorities to help create a positive impact; inspiring people, supporting local enterprise, protecting the environment and transforming communities.

Amey continued to support young people through its strategic partnership with the Duke of Edinburgh's Award and were headline Diamond Partners in 2016, to mark the charity's 60th anniversary. We are also working with the charity to help them achieve their long term aim of getting 400,000 young people from disadvantaged backgrounds to complete the Award. During 2016 40,000 people were helped as part of the partnership.

Our Community Involvement Days provide a channel for employees to make a difference in their communities with Volunteering rising in 2016 by 47% compared with 2015. Employees spent over 2500 days working with local schools to promote and advise on careers in STEM subjects, as well as helping local authority clients with beach and litter clean-ups with local councils and maintenance and ground-works for Wildlife Trusts and working with the Wildlife Trust to protect and improve key environmental areas.

With greater pressure being placed on local authorities to ensure procurement adds value to local communities (driven by the Social Value Act) we have extended our community engagement programme to include partnering with Job Centre Plus and the Princes Trust and we have reaffirmed our commitment to charities such as Business in the Community and Blue Sky, a social enterprise, into our supply chain.

2016 marks our 10 year partnership with Blue Sky, and together we have developed an employment model that recruits and supports ex-offenders at scale. The partnership has now provided job opportunities for over 370 ex-offenders in eight local authority areas, generating business and social value for Amey, and opportunities for those previously denied the chance to work.

Key Performance Indicators (KPIs)

To assist the Board's management of the business and to provide evidence of achieving the Group strategy, the Board monitors a number of financial and non-financial KPIs. To the extent that these are applicable, the KPIs are used to determine bonus and other reward mechanisms in the Group.

The Directors consider that revenue, gross profit, operating profit and operating cash flows are the Group's principal financial KPIs. The non-financial KPIs referred to in this Strategic Report demonstrate the importance to the Group of health and safety accidents minimisation, recruitment of people and encouraging community involvement.

Principal Risks and Uncertainties

The principal risks and uncertainties relating to the Group are in respect of contract retention, cash and credit risk, and reputational risk.

- Contract retention** - The Group seeks to manage the risk of losing contracts by the provision of added value services, improving the quality of services provided and by maintaining strong relationships with key customers. Against the current economic and political climate of austerity, the pipeline of new contracts may be increased or reduced in line with local authority, government and utilities regulators' spending plans in the UK. The Group is able to adapt its capabilities and resources to meet any significant change arising from both the overall work pipeline and increased competitive pressures. Dedicated resources are devoted to securing new contracts. As investment in the bidding process is only recouped in the event of securing a new contract, the Group regularly reviews the risks and rewards potentially arising. The Group also endeavours to restrict expenditure in the early stage of a bid, when the certainty of success is less.
- Cash and credit risk** - The Group's credit risk is primarily attributable to its non-public sector trade receivables. However, there are significant amounts of trade receivables due from public sector clients. Credit risk is managed by running credit checks on new clients and by monitoring payments against contractual agreements. The Group monitors cash flow as part of its day-to-day control procedures. In addition, the Directors regularly review the Group's cash flow projections to ensure that appropriate facilities are available to be drawn upon as necessary.

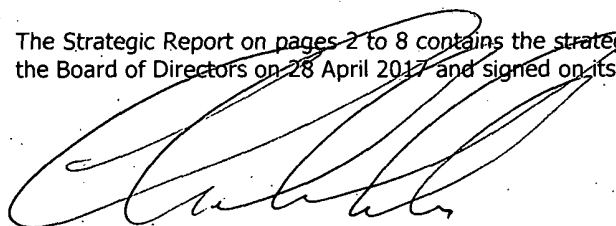
Principal Risks and Uncertainties (*continued*)

The management of credit risk, interest rate risk, funding and liquidity risk and foreign exchange risk is further explained in note 14 to the Group financial statements. The objectives and policies of managing the financial risk of the Group are also outlined in note 14.

- **Reputational risk** - As a major supplier of services to local authorities and Government, the Group recognises the reputational risk inherent in continuing to deliver added value and reliable performance on our contracts. The Group also recognises the importance of reputational risk when bidding for new contracts. In respect of loss of reputation due to tax avoidance, the Group has been assessed as 'Low Risk' by Her Majesty's Revenue and Customs (HMRC) in the UK. This is based on an open and co-operative relationship with HMRC supported by strong internal controls, clear governance at board level and a commitment to manage the Group's tax affairs in an ethical and commercial manner.
- **Other risks include** -
 - operational risks threatening the continuity of business operations such as the failure of information systems, loss of key infrastructure and the recruitment and retention of key staff;
 - financial and commercial risks which include the failure to meet financial business plans, availability of funding, pension fund liabilities and delays or cost over-runs in major programmes; and
 - legal risks resulting from compliance failure or litigation involving disputes with clients or suppliers.

Strategic Report Approval

The Strategic Report on pages 2 to 8 contains the strategic review of the business for 2016. This Report was approved by the Board of Directors on 28 April 2017 and signed on its behalf by:



Andy Milner
Chief Executive Officer, Amey
28 April 2017

Report of the Directors

The Directors present their annual report together with the audited financial statements of the Amey UK plc group of companies (Amey or the Group) for the year ended 31 December 2016. Amey UK plc (the Company) is incorporated in England and Wales and is the holding Company of a Group whose subsidiary companies and joint venture undertakings are listed in note 24 to the financial statements.

Strategic report

The Chief Executive Officer's summary statement on page 1 and the corporate commentary on pages 2 to 8 describe the principal activities of the Group, the development and performance of the Group's business during 2016 and the position of the Group at the end of the year.

A description of the principal risks and uncertainties facing the Group is also contained in the Strategic Report.

Results and dividends

The Group income statement is set out on page 16 and shows a loss after tax for the year amounting to £26.6 million (2015: £26.9 million profit) on group revenue of £2.23 billion (2015: £2.23 billion).

The operating loss is stated after charging all operating costs and before net finance expense and tax. The operating loss on continuing operations was £15.8 million (2015: £47.1 million profit). Net operating exceptional costs arising in 2016 totalled £34.0 million (2015: £55.0 million), primarily in respect of contract litigation and claims (£6.9 million); a Group redundancy programme (£17.3 million) and a loss on the refinancing of a PFI joint venture (£9.8 million). The exceptional cost in 2015 was in respect of unfavourable litigation on the Birmingham contract and a revision of that contract's profitability going forward.

The overall gross profit and operating profit before exceptional items were respectively £119.8 million and £18.1 million (2015: £218.8 million and £102.1 million) representing a margin of 5.4% and 0.8% (2015: 9.8% and 4.6%). The reduction reflects the continuing challenges in our markets. Administrative expenses were reduced to £113.8 million (2015: £126.8 million) before exceptional reorganisation costs.

Net finance expense on continuing operations was £28.0 million (2015: £23.4 million). The Group's share of profit after tax of joint ventures was £2.4 million (2015: £10.9 million) which was adversely impacted in 2016 by an exceptional charge of £9.8 million arising on the refinancing of the Sheffield PFI joint venture.

Cash flows from operating activities were £7.5 million outflow (2015: £8.4 million inflow).

Equity shareholder funds at 31 December 2016 were £376.8 million (2015: £519.8 million). No interim dividend was paid during the year (2015: £20.0 million). The Directors do not recommend the payment of a final dividend. The reduction in equity shareholder funds reflects the retained loss for the year of £26.6 million and actuarial losses on pension schemes of £126.0 million.

Key performance indicators (KPIs)

To assist the Board's management of the business and to provide evidence of achieving the Group strategy the Board monitors a number of financial and non-financial KPIs.

The Directors consider that revenue, gross profit, operating profit and operating cash flows are the Group's principal financial KPIs. The non-financial KPIs included in the Strategic Report on pages 2 to 8 demonstrate the importance to the Group of health and safety accident minimisation, recruitment of people and encouraging community engagement.

Report of the Directors *(continued)*

Directors

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

Sir Richard Mottram (Chairman)
S Olivares (Vice-chairman)
A Camacho
A Garcia
A Nelson
A Milner (appointed 26 February 2016)
F Gonzalez de Canales Moyano (appointed 29 April 2016)
C Hui (appointed 26 January 2017)
M Ewell (resigned 31 March 2016)

Employee involvement and employment policies

The involvement and engagement of employees is fundamental to the long-term growth of the business.

Employee engagement

The Group's policy is to have open and regular communication with all Group employees through both formal and informal processes that are regularly reviewed and developed. Employees are provided with information about the Group through Chief Executive Officer briefings, 'Hub' (the employee magazine) and 'Amey Brief', a monthly briefing pack for people managers to discuss news and updates with their teams. This is in addition to communications direct to employees on specific matters.

The Group also regularly reviews and updates its intranet site, AmeyWorld, which provides a wealth of information accessible across the Group including news, processes and results. In addition 'Toolbox Talks' provide regular communications to operatives with updates on health and safety and contract or site information together with corporate messages.

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

The Group also conducted an employee survey during 2016 which has assisted the Directors' understanding of the areas which required action to improve the business.

Rewards, recognition and performance

Reward at Amey covers all aspects of compensation and benefits including pay planning, bonus structure and pay-out market benchmarking, flexible benefits, employee preferential discounts and recognition tools. The Amey Share Incentive Plan, which was launched in 2015, allows employees to invest from £10 to £150 per month in the shares of the parent company, Ferrovial, S.A., whilst benefiting from Income Tax and National Insurance savings.

All reward policies and practices support our business goals and are commercially focused in order that we remain competitive, fair and consistent across the business and that we attract, retain and motivate our employees to ensure that we get the best out of everyone.

The Investors in People Champion award recognises that a strong learning culture is promoted across Amey. Managers are required to provide performance management support to every employee in the form of annual objectives setting and end-of-year performance appraisal. Employees are encouraged to be actively involved in setting their objectives and work projects for the year ahead.

Report of the Directors *(continued)*

Employee involvement and employment policies *(continued)*

Diversity and inclusion

The Group promotes inclusion and wants to make sure that the services it carries out are inclusive of the wide range of people in the communities they serve.

The Group strives for fairness, respect and equality of opportunity for all of their people, from when they join Amey, and throughout their employment lifecycle with regards to: training and development; payment and benefits; appraisal and promotion, to retirement.

The Group complies with the Equality Act 2010 and Public Sector Equality Duty. The aspiration is that Amey's services help eliminate unlawful discrimination, harassment and victimisation; advance equality and foster good equality relations. The Group promotes an inclusive environment, free from discrimination, harassment and victimisation. Action is taken against any employee or person contracted to Amey who breaches this policy. The Group aims for its employees and customers to receive fair treatment regardless of equality characteristic or social background.

Disabled employees

Harnessing the talents, skills and experiences of people with disabilities will help Amey to create a stronger, more diverse business that reflects the communities it serves.

To show its commitment, the Group has signed up to the UK government's Disability Confident campaign. This not only helps people with disabilities or health conditions to get into full time employment, but also gives them the support they need while they are at work. As part of its commitment to this, Amey makes reasonable adjustments where required for customers and employees, guarantees job interviews for people with disabilities who meet essential requirements, and audit our sites systems and communications to ensure that they are accessible.

In addition, the Group has established a partnership with Scope, the UK's Disability Charity, the first such partnership in our sector. Through this partnership assurance will be gained that the Group's services to its employees and communities are not just accessible, but are enabling of the wide range of disabilities in the UK.

Modern Slavery Act

The Group recognises that it has a responsibility to take a robust approach to slavery and human trafficking and indeed takes a zero tolerance approach to non-compliance with the Act in any part of its business or its supply chain. This abridged statement sets out the steps the Group has taken to address the risk of slavery and human trafficking within its operations and supply chain. The full Slavery and Human Trafficking Statement can be found on the Amey web site.

(a) The Group's supply chains:

- Plant, vehicles and equipment suppliers
- Subcontractors and various service providers
- Suppliers of contingent labour
- Manufacturers of goods and materials

All procurement of services and supplies is undertaken by trained procurement specialists. The Group aims to build long-term sustainable relationships with strategic suppliers encouraging collaborative working and exchange of innovative and good industry practices.

(b) Policy on slavery and human trafficking:

The Group is committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of its business with a zero tolerance for non-compliance. This statement reflects that commitment to acting ethically and with integrity in all our business relationships and to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in the Group's supply chains.

Report of the Directors (continued)**Employee involvement and employment policies (continued)****Modern slavery act (continued)**

(c) Due diligence processes for slavery and human trafficking:

The Group has carried out a risk based analysis on its own operations and within its supply chain having special regard for the location of those operations and type of service.

(d) Training:

To ensure a high level of understanding of the risks of modern slavery and human trafficking in its supply chain members, the Group is providing web-based training to a wider group of staff who are likely to be in a position to identify and address potential modern slavery risks.

Going concern

The Group is financed through a mixture of shareholder equity, intercompany debt from Ferrovial companies, finance leases, non-recourse project-related bank term loans, other bank loans and overdrafts. Details of all bank loans and their maturity are set out in note 19 to the financial statements whilst details of finance risks are set out in note 14.

The Group's facilities were improved in 2016 through two credit facilities of £70 million and £80 million from Landmill Limited, a subsidiary of Ferrovial S.A., both of which renew automatically each year until 17 February 2021 and 23 September 2019 respectively. At the balance sheet date £130 million was drawn down on these facilities. The Group also continues to hold banking facilities 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 and mature on 23 July 2021, after being extended for one year in 2016. After making enquiries, the Directors have no reason to believe that amounts remaining to be drawn down under the existing bank loan or intercompany facilities will not be forthcoming and they believe that the Group will be able to renew these medium-term facilities in advance of their expiry. The Directors have also considered the cash generative nature of the business. The Directors believe that the Group is well placed to manage its business risks successfully despite the impact of public expenditure reductions in some of its key markets in the UK.

Accordingly, the Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Political donations

No contributions were made to any political parties during the current or prior period.

Auditor

Deloitte LLP has expressed their willingness to continue in office as Auditor. In accordance with s487 of the Companies Act 2006, Deloitte LLP will be reappointed as Auditor to the Company for the year to 31 December 2017.

Report of the Directors *(continued)*

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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Accounting Standards and applicable law, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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.

In preparing the Group financial statements, IFRS requires that the Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

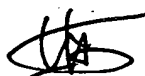
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Company and enable them to ensure that the Company financial statements comply with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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Directors as to disclosure of information to auditor

In accordance with the provisions of s418 of the Companies Act 2006, each of the Directors at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware and the Director has taken all of the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board



Wayne Robertson
Company Secretary, Amey UK plc
28 April 2017

Independent auditor's report to the members of Amey UK plc

We have audited the financial statements of Amey UK plc for the year ended 31 December 2016, which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Statement of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 40. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (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 (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of Directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Amey UK plc (continued)**Opinion on other matter prescribed by the Companies Act 2006**

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' 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 Report of the Directors.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2005 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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.



Peter Gallimore FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor, London, United Kingdom

28 April 2017

Group income statement

Annual Report and Financial Statements 2016

Group income statement for the year ended 31 December 2016

	Note	Before exceptional items 2016 £'000	Exceptional items (see note 3) 2016 £'000	Total 2016 £'000	Before exceptional items 2015 £'000	Exceptional items (see note 3) 2015 £'000	Total 2015 £'000
Continuing operations:							
Total revenue		2,591,024	-	2,591,024	2,531,947	-	2,531,947
Less: share of revenue of joint ventures		(358,563)	-	(358,563)	(301,396)	-	(301,396)
Group revenue	2	2,232,461	-	2,232,461	2,230,551	-	2,230,551
Cost of sales		(2,112,689)	(6,939)	(2,119,628)	(2,011,795)	(55,000)	(2,066,795)
Gross profit		119,772	(6,939)	112,833	218,756	(55,000)	163,756
Administration expenses		(113,814)	(17,283)	(131,097)	(126,800)	-	(126,800)
Share of profit after tax of joint ventures	2	12,179	(9,758)	2,421	10,858	-	10,858
Loss on disposal of subsidiary undertaking	4	-	-	-	(764)	-	(764)
Operating (loss) profit	2,4	18,137	(33,980)	(15,843)	102,050	(55,000)	47,050
Finance income		12,864	-	12,864	10,045	-	10,045
Finance costs		(40,899)	-	(40,899)	(33,454)	-	(33,454)
Net finance expense	7	(28,035)	-	(28,035)	(23,409)	-	(23,409)
(Loss) profit before tax		(9,898)	(33,980)	(43,878)	78,641	(55,000)	23,641
Tax credit (charge)	8	12,453	4,844	17,297	(7,380)	10,640	3,260
(Loss) profit after tax for the year		2,555	(29,136)	(26,581)	71,261	(44,360)	26,901
Attributable to:							
Equity holders of the Company		5,156	(29,136)	(23,980)	67,783	(44,360)	23,423
Minority interests		(2,601)	-	(2,601)	3,478	-	3,478
		2,555	(29,136)	(26,581)	71,261	(44,360)	26,901

The notes on pages 21 to 62 form part of these Group financial statements.

Group statement of comprehensive income for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
(Loss) profit after tax for the year		(26,581)	26,901
Other comprehensive (expense) income			
<i>Items not subject to recycling:</i>			
Actuarial (losses) gains and adjustments on pension schemes	20	(125,958)	34,298
Deferred tax on pension schemes	8	18,900	(11,885)
<i>Items subject to recycling:</i>			
(Loss) gain on change in fair value of derivatives	14	(7,926)	748
Deferred tax on derivatives	8	951	3
Share of joint ventures' other comprehensive (expense) income			
- (loss) gain on change in fair value of derivatives	14	(13,133)	1,844
- deferred tax on derivatives		1,933	(952)
- derivatives recycled through profit and loss	14	10,610	-
- deferred tax on recycled amounts		(1,804)	-
Other comprehensive (expense) income for the year after tax		(116,427)	24,056
Total comprehensive (expense) income for the year		(143,008)	50,957
Attributable to:			
Equity holders of the Company		(136,919)	47,105
Minority interests		(6,089)	3,852
		(143,008)	50,957

The notes on pages 21 to 62 form part of these Group financial statements.

Group balance sheet as at 31 December 2016

	Note	2016 £'000	2015 £'000
Non-current assets			
Goodwill on acquisition of subsidiary undertakings	9	735,764	735,887
Other intangible assets	10	114,597	133,626
Property, plant and equipment	11	59,615	85,065
Investments in joint ventures	12	96,911	72,530
Deferred tax assets	8	37,635	11,680
PFI/PPP Financial assets	13	59,665	71,105
Trade and other receivables	15	65,399	40,804
		1,169,586	1,150,697
Current assets			
Inventories	16	18,793	18,672
PFI/PPP Financial assets	13	12,991	2,052
Trade and other receivables	15	579,703	536,190
Current tax assets		18,531	452
Cash and cash equivalents	17	173,317	89,574
		803,335	646,940
Total assets		1,972,921	1,797,637
Current liabilities			
Trade and other payables	18	(609,348)	(539,125)
Ferrovial, S.A. group loans	18	(555)	
Current tax liabilities		(2,314)	(1,577)
Provisions for other liabilities and charges	21	(14,426)	(20,950)
External borrowings	19	(4,526)	(7,867)
		(631,169)	(569,519)
Non-current liabilities			
Trade and other payables	18	(12,684)	(14,759)
Ferrovial, S.A. group loans	18	(575,543)	(439,469)
Derivative financial instruments		(21,270)	(13,344)
Deferred tax liabilities	8	(58,239)	(52,874)
Retirement benefit obligations	20	(147,173)	(32,366)
Provisions for other liabilities and charges	21	(91,193)	(83,658)
External borrowings	19	(58,829)	(71,819)
		(964,931)	(708,289)
Total liabilities		(1,596,100)	(1,277,808)
Net assets		376,821	519,829
Capital and reserves			
Share capital	22	3,677	3,677
Share premium account		153,134	153,134
Other reserve		61,887	61,887
Hedge reserve		(31,695)	(25,814)
Retained earnings		185,249	316,287
Equity attributable to equity holders of the Company		372,252	509,171
Minority interests		4,569	10,658
Total equity		376,821	519,829

The notes on pages 21 to 62 form part of these Group financial statements. The financial statements on pages 16 to 62 were approved and authorised for issue by the Board of Directors on 28 April 2017 and signed on its behalf by:


Andy Milner
 Director
 28 April 2017

Group statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Share premium account £'000	Other reserve £'000	Hedge reserve £'000	Retained earnings £'000	Minority interests £'000	Total equity £'000
At 1 January 2015	3,677	153,134	61,887	(27,083)	290,451	6,806	488,872
Profit after tax for the year	-	-	-	-	23,423	3,478	26,901
Other comprehensive income	-	-	-	1,269	22,413	374	24,056
Dividend paid (note 29)	-	-	-	-	(20,000)	-	(20,000)
At 31 December 2015	3,677	153,134	61,887	(25,814)	316,287	10,658	519,829
Loss after tax for the year	-	-	-	-	(23,980)	(2,601)	(26,581)
Other comprehensive expense	-	-	-	(5,881)	(107,058)	(3,488)	(116,427)
At 31 December 2016	3,677	153,134	61,887	(31,695)	185,249	4,569	376,821

The Other reserve relates to a capital contribution made by Ferrovial Servicios, S.A., a fellow group undertaking, in 2003.

The notes on pages 21 to 62 form part of these Group financial statements.

Group cash flow statement

Annual Report and Financial Statements 2016

Group cash flow statement for the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Operating activities			
Cash flows generated from operating activities	23	(7,482)	8,400
Income tax paid		(784)	(6,091)
		(8,266)	2,309
Cash flows from investing activities			
Acquisition of business, net of cash and cash equivalents		-	(2,000)
Disposal of subsidiary undertaking		-	(700)
Purchase of property, plant and equipment and other intangible assets		(7,887)	(19,031)
Disposal of property, plant and equipment and other intangible assets		25,651	6,146
Acquisition of equity in and loan advances made to joint ventures		(24,495)	(36,465)
Repayment of loan advances made to joint ventures		6,623	3,589
Interest received		8,005	9,350
Dividends received from joint ventures		4,584	6,337
		12,481	(32,774)
Cash flows from financing activities			
Repayment of bank loans		(1,100)	(4,681)
Movements on loans with Ferrovia, S.A. subsidiary undertakings		131,619	(20,410)
Repayment of finance leases		(16,522)	(6,887)
Interest paid		(34,469)	(31,126)
Dividend paid to parent undertaking		-	(20,000)
		79,528	(83,104)
Net increase (decrease) in cash and cash equivalents		83,743	(113,569)
Cash and cash equivalents at 1 January		89,574	203,143
Cash and cash equivalents at 31 December	17	173,317	89,574

The notes on pages 21 to 62 form part of these Group financial statements.

Notes forming part of the Group financial statements for the year ended 31 December 2016

1 Accounting policies

These consolidated financial statements have been prepared on a going concern basis using the historic cost convention as modified for the fair value of pension liabilities, financial instruments and other intangible assets arising on acquisition. The suitability of the going concern basis is considered in the Report of the Directors.

The significant accounting policies applied in preparing the consolidated financial statements, which have been applied consistently, are set out below:

Basis of preparation

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 2016.

The new or revised standards or interpretations that are effective for accounting periods commencing on or after 1 January 2016 and that are applicable to the Group are as follows. The adoption of these standards does not lead to any changes in the Group's accounting policies and has no material impact on the financial statements.

IFRS 10, IFRS 12 and IAS 28 (amendments)	Investment entities: applying the consolidation exemption
IFRS 11 (amendment)	Accounting for acquisitions of interests in joint operations
IAS 1 (amendment)	Disclosure initiative
IAS 16 and IAS 38 (amendments)	Clarification of acceptable methods of depreciation and amortisation
IAS 27 (amendment)	Equity method in separate financial statements
Annual improvements 2010 – 2012	
Annual improvements 2012 – 2014	

The following new standards are applicable to the Group and will be adopted early in the accounting period commencing on 1 January 2017:

IFRS 15	Revenue from contracts with customers
IFRS 9	Financial instruments

In addition, the following new or revised standards are applicable to the Group, subject to adoption by the EU:

Effective for accounting periods commencing on or after 1 January 2017:

IAS 7 (amendment)	Disclosure initiative
IAS 12 (amendment)	Recognition of deferred tax assets for unrealised losses
Annual improvements 2014 – 2016	In respect of IFRS 12 (Disclosure of Interests in Other Entities)

Effective for accounting periods commencing on or after 1 January 2018:

IFRS 2 (amendment)	Classifications and measurement of share-based payment transactions
IFRS 4 (amendment)	Applying IFRS 9 (Financial Instruments) with IFRS 4 (Insurance Contracts)
IFRS 15 (clarification)	Clarification to IFRS 15 (Revenue from Contracts with Customers)
IAS 40 (amendment)	Transfers of investment property
IFRIC 22	Foreign currency transactions and advance consideration
Annual improvements 2014 – 2016	In respect of IFRS 1 (First-time Adoption of International Financial Reporting Standards) and IAS 28 (Investments in Associates and Joint Ventures)

Effective for accounting periods commencing on or after 1 January 2019:

IFRS 16	Leases
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1 Accounting policies (continued)**Impact of adoption of new Accounting Standards and Interpretations**

With the exception of IFRS 15 and IFRS 9 (see below), the Directors do not expect that the adoption of the Standards and Interpretations listed above to have a material impact on the financial statements of the Group in future periods. IFRS 16 may have a material impact on accounting for operating leases. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review is undertaken.

IFRS 15 – Revenue from Contracts with Customers

Although this standard is not mandatory until 2018, in view of its significance to the business activities of the Group, the Group has decided to adopt it early in 2017. To this end, a plan has been launched with the following milestones for adoption:

- After conducting an analysis of the standard, the Group has developed a new internal policy with the aim of defining practical criteria for the application of IFRS 15 in all its business activities
- This was followed by a qualitative assessment and an initial quantification of the main changes that may arise from the new standard, as well as an analysis of the possible impacts on reporting systems
- In the first half of 2017, a more detailed quantification will be made of the effects of initial application, which will be accounted for retrospectively at the end of that period, recognising an adjustment in reserves to the opening balance at 1 January 2017 (cumulative effect adjustment to equity)
- Finally, these adjustments will be reviewed in greater detail as part of the external audit. The main impacts identified basically relate to the following three areas:

- (i) *Definition of different performance obligations in long-term services contracts and allocation of a price to each obligation*
These are mainly long-term contracts (more than ten years) where the Group carries out various different activities throughout the life of the infrastructure (Capex, Opex and Lifecycle). Currently, these contracts are regarded as having a single performance obligation, and the result thereof is recognised by reference to the overall profitability of the project. Under IFRS 15, unlike the prior method, several performance obligations will be recognised (IFRS 15.27), to which the prices established in the contract, provided they are deemed to be market prices, will be allocated (IFRS 15.73-80). The effect of this new criterion may be to delay the recognition of revenue, insofar as the expected margin on the performance obligations already satisfied will be lower than that forecast for the contract as a whole. The negative impact (net of tax) of this adjustment in reserves at 31 December 2016, according to an initial estimate, would amount to approximately £51 million.
- (ii) *Requirement of approval versus probability in the recognition of revenue arising from contract modifications and claims*
Under IFRS 15 customer approval is required in order for such revenue to be recognised (IFRS 15.18), a stricter criterion than the probability requirement in the current standards, IAS 11 and IAS 18. This change will give rise to a delay in the recognition of revenue, which can only be recognised when the customer has approved the contract modification, and not when it is probable that it will approve it. In the case of contract modifications or claims in which the customer has approved the revised scope of the work, but the corresponding change in price has not yet been determined, revenue will be recognised for the amount with respect to which it is highly probable that a significant reversal will not occur in the future. The negative impact (net of tax) of this adjustment in reserves at 31 December 2016, according to an initial estimate, would amount to approximately £38 million.
- (iii) *Establishment of a consistent revenue recognition method for contracts with similar characteristics*
IFRS 15 requires a consistent revenue recognition method to be used for contracts and performance obligations with similar characteristics (IFRS 15.40). The Group has chosen the output method as its preference for measuring the value of assets or services of which control is transferred to the customer over time, provided that the progress of the work performed can be measured during the course of the agreement (IFRS 15.B17). In contracts that provide different highly interrelated goods or services in order to produce a combined output, which occurs habitually in contracts with a construction component, the applicable output method is that of measurement of units produced ('surveys of performance completed to date' output method). Also, in routine service contracts in which the goods or services are substantially the same and are transferred with the same pattern of consumption, in such a way that the customer receives and consumes the benefits of the goods or services as the entity provides them, the method selected by the Group to recognise revenue is the time elapsed (output method), whereas costs are recognised on an accrual basis. On the basis of the foregoing, the input method (based on resources consumed) will only be used when the progress of the work cannot be measured reliably. The use of this rule will give rise to a change of recognition method for certain projects, and the negative impact (net of tax) of this adjustment in reserves, according to an initial estimate at 31 December 2016, would be approximately £23 million.

Based on the above, the estimated net total negative adjustment arising at 31 December 2016 from the first-time application of IFRS 15 amounts to approximately £112 million. However, the precise quantification of this adjustment will depend on the achievement of all the aforementioned milestones, the tasks for which will be completed in the first six months of 2017.

The new standard will require the Group to review its internal processes and controls relating to revenue recognition. Although this review is already in progress, it has not yet been completed.

The reporting systems currently in place will be maintained, although the controls established in them will have to be adapted.

1 Accounting policies (continued)**Impact of adoption of new Accounting Standards and Interpretations (continued)****IFRS 9 – Financial Instruments**

The impacts identified are less important than those of IFRS 15, since the entities most affected by IFRS 9 are financial institutions. The Group is analysing the possibility of applying the standard early, although it has not yet taken a decision in this respect.

Set out below is a summary of the main impacts, following an initial analysis of the three phases of the standard:

(i) Hedge accounting

IFRS 9 attempts to align hedge accounting more closely with risk management, and the new requirements establish a principle-based approach. IFRS 9 permits the designation of specific components of non-financial items and the inflation risk component of financial instruments as hedged items, provided that they are separately identifiable and reliably measurable, and it has to be proved that there is a liquid market for the items concerned. It should be noted that under the new standard it is possible to designate an aggregated exposure (including a derivative and another non-derivative component) as a hedged item, and to consider currency basis spreads as a cost of the hedge.

(ii) Impairment of financial assets

IFRS 9 replaces the incurred loss model of IAS 39 with a model based on expected credit losses. Under the new standard, the loss allowance for a financial instrument will be calculated at an amount equal to 12-month expected credit losses, or lifetime expected credit losses if there has been a significant increase in the credit risk on the instrument. The Group initially expects to avail itself of the simplified approach (allowance for lifetime expected credit losses of an asset) for its accounts receivable. It does not foresee a significant impact in this regard, in view of the fact that there is a procedure already in place, which not only writes down accounts receivable when they are no longer recoverable (incurred losses), but also takes into consideration possible expected losses, based on the evolution of customers' collection periods (the Group will adapt this procedure to meet the specific requirements of IFRS 9 and will extend it to companies where it is not currently applied), and in view of the credit risk of its customers (mostly public authorities) and the internal classification systems in place for contracting with those customers.

(iii) Classification and measurement of financial assets

A new classification is introduced that reflects the business model within which financial assets are held. The main classification categories are: financial assets measured at amortised cost (assets held to maturity in order to collect contractual cash flows: principal and interest), financial assets at fair value through profit or loss (assets held for trading) and financial assets at fair value through other comprehensive income, in cases where both business models apply. The IAS 39 available-for-sale category of financial instruments is therefore eliminated. As regards the measurement of financial liabilities, IFRS 9 does not introduce any changes with respect to IAS 39, except that, in relation to the fair value option, any changes in fair value of a financial liability attributable to own credit risk must be recognised in other comprehensive income (provided this does not give rise to an accounting mismatch). Based on its preliminary analysis of this phase, the Group does not expect any significant impact, since most of its assets and liabilities will continue to be recognised at amortised cost.

Unlike IFRS 15, the hedge accounting requirements of IFRS 9, which is where the main impact is expected to arise, as described above, will be applied prospectively and, therefore, there will be no first-time application adjustment. The expected impact of adoption of IFRS 9 on the Group's consolidated financial statements is not disclosed because it cannot be estimated reliably, since this impact will depend on both the financial instruments held by the Group and the economic conditions prevailing at the date of adoption.

1 Accounting policies (continued)**Critical accounting judgements**

The preparation of the Group financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Some of these policies require a high level of judgement, and the Group believes that the most critical accounting policies and significant areas of judgement and estimation arise from the accounting for defined benefit pension schemes under IAS 19 (Employee Benefits) and for long-term contracts under IAS 11 (Construction Contracts). In addition, there is ongoing litigation on certain contracts.

IAS 19

Defined benefit pension schemes are accounted for in accordance with the advice of independent qualified actuaries, but significant judgements are required in relation to the assumptions for future salary and pension increases, inflation, investment returns and member longevity that underpin their valuations.

IAS 11

A significant amount of the Group's activities are undertaken via long-term contracts. These contracts are accounted for in accordance with IAS 11 which requires estimates to be made for the full contract costs and revenue.

Management base their judgement of contract costs and revenue on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenue are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates are updated regularly and significant changes are highlighted through established internal review procedures. The impact of the change in accounting estimate is then reflected in current and future periods.

Litigation on contracts

Significant judgement has been applied in respect of assessing losses arising on the possible impact of the unfavourable resolution of litigation on contracts.

Basis of consolidation

The Group financial statements include the financial statements of Amey UK plc and its subsidiary undertakings using uniform accounting policies and exclude all intra-group transactions and balances. The results of subsidiary undertakings acquired during the year are consolidated from the date on which control in the subsidiary undertaking passes to the Group. The results and cash flows of subsidiary undertakings which have been disposed of are consolidated up to the date control was lost. Where subsidiary undertakings do not adopt accounting periods that are coterminous with the Group's, their results and net assets are based on interim financial statements drawn up to the Group's accounting reference date. The profit attributable to members of the Company is stated after deducting the proportion attributable to minority shareholders.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement when incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) are measured in accordance with that standard.

1 Accounting policies (continued)**Goodwill**

Goodwill, being the excess of the fair value of the purchase consideration over the fair value of the identifiable net assets of a subsidiary undertaking, is capitalised on the date that control is acquired. Goodwill is not amortised but is tested for impairment at least annually with goodwill allocated against each of the Group's cash-generating units (CGU). If the recoverable amount of a CGU is less than its carrying amount, the impairment loss is allocated first to the allocated goodwill and then to other assets pro-rata to the carrying amount of each asset in the CGU. Any impairment loss recognised is not reversed in a subsequent period.

Other intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less amortisation on a straight-line basis and less accumulated impairment losses. Other acquired intangible fixed assets are included in the balance sheet at cost less accumulated impairment losses and amortised over their useful economic finite lives on a straight-line basis.

Amortisation is included in cost of sales in the income statement. Details of the amortisation rates used are included in the note on other intangible assets.

Joint ventures where the Group exercises joint control

In accordance with IFRS 11 (Joint Arrangements), joint ventures are included in the financial statements under the equity method of accounting. The results of stakes in joint ventures acquired are included from the date on which the Group acquires joint control in the joint venture, or until the date on which the Group disposes of its joint control in the joint venture.

In accordance with IAS 28, the Group limits the recognition of share of joint venture losses where those losses exceed the investment made in those joint ventures and no obligation arises on the investor to make good those losses. Any losses recognised are held as a provision on the balance sheet.

The results, assets and liabilities of joint ventures are stated in accordance with Group accounting policies. Where joint ventures do not adopt Group accounting policies, their reported results, assets and liabilities are restated to comply with Group accounting policies. Where joint ventures do not adopt accounting periods that are coterminous with the Group's, their results and net assets are based on interim financial statements drawn up to the Group's accounting reference date. The Group includes the share of joint venture profit after tax in its operating profit as those profits are principally operating in nature and any non-operating element is not considered material to the financial statements.

Jointly controlled operations

Where the Group executes contracts through jointly controlled operations, the Group accounts for its share of the results, assets, liabilities and cash flows using the proportional consolidation method.

Revenue

The Group has entered into a number of long-term contracts. Revenue from long-term project contract activities represents the fair value of work done during the year calculated by reference to the stage of completion of these contracts. Estimates are included in current assets in respect of amounts not invoiced at the balance sheet date.

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. The Group manages customer expenditure and charges customers for goods purchased from suppliers and services performed by contractors. These amounts are included in revenue and cost of sales when the Group is acting as a principal, but where the Group is acting as an agent, transactions are recognised on a net basis.

All revenue excludes Value Added Tax.

1 Accounting policies (continued)**Property, plant and equipment**

The cost of property, plant and equipment is determined in accordance with IAS 16 (Property, Plant and Equipment) and includes only those costs that are directly attributable to bringing the asset into working condition for its intended use.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost of each asset, less its estimated residual value, evenly over its expected useful life, as follows:

Buildings	2% to 2.5% per annum
Leasehold improvements	remaining lease period
Plant and machinery	5% to 33% per annum

The Group reviews the carrying value of property, plant and equipment in the light of developments in its business and makes provision for any impairment in value as the need arises.

Finance costs have not been capitalised as the Group does not have any qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Inventories

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

Amounts recoverable on contracts

Amounts recoverable on contracts represent the excess of work done including attributable profit over cumulative payments on account received. Payments on account in excess of work done are included within creditors.

Pre-contract and certain other costs arising on contracts

The Group expenses all pre-contract costs and other costs where recovery is not specifically provided for in accordance with the contract terms. The Group recognises bid costs on the balance sheet where it is probable that a contract will be obtained, the contract outcome can be reliably measured 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. For all contracts, recovery is deemed probable on the award of preferred bidder status. Costs which have been expensed are not subsequently reinstated when a contract award is achieved.

Service concession arrangements

PFI/PPP revenue is accounted for using the financial asset model, where it has been determined that the Group has an unconditional right to receive cash for the construction or upgrade service. Revenue is determined by the fair value of consideration received or receivable in respect of goods and services provided in the same way as for other long-term contracts. Revenue is adjusted for the expected payment date at the time of providing the services in accordance with the principles of IAS 39 (Financial Instruments: Recognition and Measurement). The amounts recoverable from the capital enhancement element of PFI/PPP contracts are shown separately on the face of the balance sheet as PFI/PPP Financial assets.

Deferred tax

Deferred tax is recognised on all temporary 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. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred tax assets are recognised when it is more likely than not that they will be recovered in the foreseeable future. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date and that are expected to apply in the period when the liability is settled or the asset realised.

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 operating leases are charged to the income statement on a straight-line basis over the lease period.

1 Accounting policies (continued)**Provisions**

Provisions are recognised where the Group is probably required to settle a legal or constructive obligation as a result of a past event. The amount recognised is the best estimate of the consideration required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation. Provisions are not discounted unless the impact of such discounting is material.

Pension costs – defined benefit schemes

The Group accounts for pension costs in accordance with IAS 19.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return that the Directors consider would be available on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The net return on the scheme assets and the increase during the year in the present value of the scheme liabilities arising from the passage of time is included in finance costs. The Group recognises actuarial gains and losses directly in other comprehensive income and these are therefore shown in the statement of comprehensive income (SOC1).

Pension scheme deficits or surpluses, to the extent that they are considered payable or recoverable, are recognised in full and presented on the face of the balance sheet.

Pension costs – defined contribution schemes

The amount recognised in the income statement is equal to the contributions payable to the schemes during the year.

Share-based payments

Share award plans are measured initially using the value of the share price at that time of award after discounting for the present value of expected dividends during the maturity period. This value is recognised in staff costs over the period of the award.

Foreign currency

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their 'functional currency') are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement as part of finance costs.

Financial assets

The Group classifies its financial assets into one of the following categories, depending on the nature of the asset that was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

- (a) *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. For PFI/PPP contracts, cost is determined by the fair value of goods and services as adjusted for the expected payment date at the time of providing the services.
- (b) *Financial assets – fair value through the income statement.* This category comprises only in-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.
- (c) *Financial assets – available-for-sale.* Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognised directly in other comprehensive income. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in the income statement.

1 Accounting policies (continued)**Financial liabilities**

The Group classifies its financial liabilities into one of two categories, depending on the nature of the liability that was acquired. Other than financial liabilities in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

- (a) *Financial liabilities – fair value through the income statement.* This category comprises only out-of-the-money derivatives. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.
- (b) *Financial liabilities – other financial liabilities.* Trade payables and other payables are recognised at amortised cost. Bank borrowings are recognised at the amount advanced net of any directly attributable transaction costs. Such interest bearing liabilities are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Finance costs calculated in accordance with this policy are recognised in finance costs in the income statement.

Hedge accounting

Hedge accounting is applied to financial assets and liabilities only where all of the following criteria are met:

- at the inception of the hedge, there is formal designation and documentation of the hedging relationship and of the Group's risk management objective and strategy for undertaking the hedge
- for cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect income or expense
- the cumulative change in the fair value of the hedging instruments is expected to be between 80% and 125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged, i.e. it is expected to be highly effective
- the effectiveness of the hedge can be reliably measured
- the hedge is assessed on a regular basis and remains highly effective

The Group does not hold or issue derivative instruments for speculative purposes, although derivatives not meeting the above criteria are designated for accounting purposes at fair value through the income statement as appropriate.

Derivative financial instruments at fair value – cash flow hedges

The Group uses derivative financial instruments to manage interest rate risk and, where the hedge accounting criteria are met, designates these as cash flow hedges. Changes in the fair value of the effective portion of derivatives that are designated and qualify as hedges are recognised in other comprehensive income. Changes in the fair value of the ineffective portion of cash flow hedges are recognised in the income statement. Amounts accumulated in equity are transferred to the income statement when the underlying transaction occurs or, if the transaction results in a non-financial asset or liability, are included in the initial cost of the asset or liability.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits with banks. Bank overdrafts are shown within borrowings in current liabilities.

Exceptional items

Material items of income and expense are disclosed separately in the financial statements where it is necessary to do so in order to provide further understanding of the financial performance of the Group due to their nature or amount.

2 Divisional analysis

The Group's divisions and their activities are described in more detail in the Strategic Review on pages 2 to 8.

The information disclosed in this note is presented in accordance with the Companies Act 2006 and any additional information presented is on a voluntary basis only. It does not represent segment information based on IFRS 8 (Operating Segments) as the Group is exempt from the requirements of that standard.

At the start of 2016, the Group restructured its operations such that management responsibility for certain contracts held in the former Local Government division has now been transferred within the revised divisional structure to the Environmental Services division. In addition, responsibility for certain contracts held in the former Consulting & Strategic Infrastructure division has now been transferred to the Highways division. The divisional analysis below and the allocation of goodwill to CGU in note 9 for the prior year have been revised accordingly.

	Group revenue 2016 £'000	Share of joint ventures' revenue 2016 £'000	Total revenue 2016 £'000	Group revenue 2015 £'000 <i>restated</i>	Share of joint ventures' revenue 2015 £'000 <i>restated</i>	Total revenue 2015 £'000 <i>restated</i>
Revenue – by division						
Highways	542,092	-	542,092	587,434	-	587,434
Environmental Services	338,944	-	338,944	354,691	-	354,691
Utilities & Facilities Management	907,297	235,213	1,142,510	819,923	159,990	979,913
Consulting & Rail	466,295	19,225	485,520	466,879	26,519	493,398
Rest of Group and Central Services (including interdivisional eliminations)	(22,167)	104,125	81,958	1,624	114,887	116,511
	2,232,461	358,563	2,591,024	2,230,551	301,396	2,531,947
Revenue – by geographical location						
United Kingdom	2,184,308	358,563	2,542,871	2,191,898	298,243	2,490,141
Rest of Europe	7,716	-	7,716	6,533	-	6,533
Middle East	9,176	-	9,176	10,162	-	10,162
Australasia	23,324	-	23,324	18,295	1,091	19,386
North America	7,937	-	7,937	3,663	2,062	5,725
	2,232,461	358,563	2,591,024	2,230,551	301,396	2,531,947

All of the revenue above arises on the provision of services. Included in Group revenue is £1.39 billion (2015: £1.17 billion) accounted for under the principles of IAS 11.

2 Divisional analysis (continued)

	Group operating loss excluding joint ventures 2016 £'000	Share of profit after tax of joint ventures 2016 £'000	Total operating loss 2016 £'000	Group operating profit excluding joint ventures 2015 £'000 <i>restated</i>	Share of profit after tax of joint ventures 2015 £'000 <i>restated</i>	Total operating profit 2015 £'000 <i>Restated</i>
Divisional operating (loss) profit – before exceptional items						
Highways	(70,187)	-	(70,187)	(29,706)	-	(29,706)
Environmental Services	(5,639)	-	(5,639)	24,725	-	24,725
Utilities & Facilities Management	30,354	6,529	36,883	52,915	6,998	59,913
Consulting & Rail	42,642	1,006	43,648	69,282	596	69,878
Rest of Group and Central Services	8,788	4,644	13,432	(26,024)	3,264	(22,760)
	5,958	12,179	18,137	91,192	10,858	102,050
Divisional operating (loss) profit – exceptional items (see note 3)						
Highways	(6,939)	-	(6,939)	(55,000)	-	(55,000)
Rest of Group and Central Services	(17,283)	(9,758)	(27,041)	-	-	-
	(24,222)	(9,758)	(33,980)	(55,000)	-	(55,000)
Divisional operating (loss) profit – after exceptional items						
Highways	(77,126)	-	(77,126)	(84,706)	-	(84,706)
Environmental Services	(5,639)	-	(5,639)	24,725	-	24,725
Utilities & Facilities Management	30,354	6,529	36,883	52,915	6,998	59,913
Consulting & Rail	42,642	1,006	43,648	69,282	596	69,878
Rest of Group and Central Services	(8,495)	(5,114)	(13,609)	(26,024)	3,264	(22,760)
	(18,264)	2,421	(15,843)	36,192	10,858	47,050

3 Exceptional items

The following exceptional items have been charged (credited) to operating profit:

	2016 £'000	2015 £'000
Birmingham contract litigation and ongoing profitability ⁽ⁱ⁾	(8,000)	55,000
Hereford contract claim ⁽ⁱⁱ⁾	9,872	-
Cumbria contract claim ⁽ⁱⁱⁱ⁾	5,067	-
Group reorganisation and redundancy programme ^(iv)	17,283	-
Charged as part of operating profit	24,222	55,000
Share of Sheffield joint venture refinancing costs (net of tax) ^(v)	9,758	-
Total exceptional items	33,980	55,000

- (i) In 2015, the Highways divisions incurred an exceptional charge of £55.0 million in respect of the possible impact of an unfavourable resolution of ongoing litigations on the Birmingham contract and a revision of the contract's profitability going forward. Following a successful court action in 2016, £8.0 million of the provision was released.
- (ii) In 2016, the Highways division was unsuccessful in defending a claim made by Herefordshire Council which resulted in an exceptional cost of £9.9 million.
- (iii) In 2016, the Highways division also incurred an exceptional charge of £5.1 million in respect of agreement of claims on the Cumbria contract.
- (iv) The Group embarked on a significant reorganisation and reorganisation programme during 2016 as part of improving efficiency and lowering costs. The total cost of this programme in 2016 was £17.3 million.
- (v) As part of re-financing the Sheffield PFI contracts held by a joint venture, significant costs to break the interest rate forward hedge contracts arose in 2016. The Group's share of this cost, after tax, was £9.8 million. The joint venture will incur lower interest costs in future periods.

4 Operating (loss) profit

This is stated after charging (crediting):

	2016 £'000	2015 £'000
Amortisation - other intangible assets	21,999	19,079
Depreciation - owned assets	8,552	8,952
- leased assets	2,756	6,108
Lease rentals - land and buildings	8,149	13,642
- hire of plant and machinery	75,378	82,960
Cost of inventories recognised as an expense	176,553	157,191
(Profit) on disposal of property, plant and equipment	(5,423)	(2,612)
Loss on disposal of subsidiary undertaking	-	764
Exceptional items (see note 3)	33,980	55,000
Auditor's remuneration - audit of Company and Group financial statements	140	137
- audit of subsidiary undertakings	641	637
- audit of joint venture undertakings	37	35
- audit-related assurance services	106	106
- non audit-related assurance services	74	-

In November 2015, the Group disposed of its holding in Enterprise-Liverpool Limited, a subsidiary undertaking, for a nominal sum. The loss on disposal of this company was £0.8 million.

5 Employees (including Directors)

Staff costs during the year consisted of:

	2016	2015
	£'000	£'000
Wages and salaries	534,330	528,670
Social security costs	49,458	47,675
Other pension costs arising on defined benefit pension schemes (note 20)	3,556	3,507
Defined benefit pension schemes past service credit (note 20)	(239)	(547)
Other pension costs arising on defined contribution pension schemes	19,025	19,730
	606,130	599,035

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

	2016	2015
	Number	Number
Contract-based employees	18,541	19,895
Management and administration	760	864
	19,301	20,759

6 Directors and key management remuneration

Remuneration in respect of Directors (who were the key management) was as follows:

	2016	2015
	£'000	£'000
Short-term employee benefits	1,259	1,120
Company contributions to defined contribution scheme	17	40
Performance based Ferrovial, S.A. share-based awards	331	583
Total emoluments	1,607	1,743

Included above are the following amounts in respect of the highest paid Director:

Emoluments	700	986
Company contributions to defined contribution scheme	-	40

During the year, two Directors (2015: two) were members of the Group's defined benefit pension scheme (which has been closed to future accrual) and two Directors (2015: one) was also a member of the replacement defined contribution pension scheme.

In addition to the emoluments shown above, compensation for loss of office totalling £1,012,000 (2015: £nil) was paid during the year.

Certain other Directors of the Group are paid directly by the Group's parent undertaking and are recharged to the Group as part of a general recharge of costs by those undertakings (see note 27) and included in net operating expenses.

7 Net finance expense

	2016	2015
	£'000	£'000
Finance income		
Interest receivable from bank deposits	67	166
Interest receivable on loans to joint ventures	4,154	2,013
Interest receivable on PFI/PPP Financial asset	4,393	3,779
Other interest and similar income	82	163
Interest receivable from Ferrovial, S.A. subsidiary undertakings (note 27)	243	9
Gain on change in fair value of derivatives	-	367
Foreign exchange gains	3,925	3,548
Total finance income	12,864	10,045
Finance costs		
Interest payable on borrowings	(4,591)	(3,918)
Interest payable on finance leases	(1,016)	(1,017)
Interest payable to Ferrovial, S.A. subsidiary undertakings (note 27)	(21,974)	(20,461)
Finance expense from defined benefit schemes (note 20)	(954)	(2,416)
Foreign exchange losses	(6,066)	(1,821)
Other interest and similar charges	(6,298)	(3,821)
Total finance costs	(40,899)	(33,454)
Net finance expense	(28,035)	(23,409)

Finance income relates to items classified as loans and receivables. Derivatives that are not designated in an IAS 39 compliant hedging relationship are classified as held for trading and are measured at fair value through the income statement. Finance costs relate to items classified as other financial liabilities measured at amortised cost and also relate to the net finance cost on defined benefit pension scheme liabilities.

8 Tax credit

	2016	2015
	£'000	£'000
Current tax		
UK	1,244	(10,422)
Overseas	4,734	632
Adjustment in respect of prior years – UK	11,374	3,043
– Overseas	(794)	145
Current tax credit (charge)	16,558	(6,602)
Deferred tax		
Credit from (charge to) deferred tax provision	3,442	(943)
(Charge to) credit from deferred tax asset	(2,998)	8,535
Deferred tax credit relating to employee benefit obligations	295	2,270
Deferred tax credit	739	9,862
Tax credit	17,297	3,260
Reconciliation of variances from standard rate of UK corporation tax		
(Loss) profit on ordinary activities before tax	(43,878)	23,641
Add: share of tax of joint ventures	484	2,581
	(43,394)	26,222
(Loss) profit before tax at the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(8,679)	5,310
<i>Adjusted for:</i>		
Expenses not deductible (income deductible) for tax purposes	(691)	2,179
Overseas rate differences	817	263
Foreign permanent establishment exemption	(1,004)	(539)
Non-taxable disposals	-	(155)
Adjustment in respect of prior years	4,915	(7,733)
Utilisation of unrecognised losses	(361)	(1,678)
Current year losses not recognised	7,210	-
Movement in unrecognised deferred tax on other timing differences	(6,827)	1,958
Other temporary differences in respect of foreign exchange on goodwill	(8,885)	2,958
Impact of change in tax rate	(3,308)	(2,882)
	(16,813)	(319)
Less: share of tax of joint ventures	(484)	(2,941)
Tax credit	(17,297)	(3,260)

The weighted average applicable tax rate was 39.4% (2015: negative 13.8%). The increase in the effective tax rate is attributable to the utilisation of previously unrecognised deferred tax on other timing differences, other temporary differences in respect of foreign exchange on goodwill (impacted by the significant change in the value of sterling against the euro) and the impact of the change in deferred tax rates less non-recognition of current year tax losses.

8 Tax (continued)

Deferred tax is calculated in full on temporary differences under the liability method using an expected tax rate for the UK of 17% (2015: 19%) on short-term timing differences and 17% (2015: 18%) on long-term timing differences. For balances arising in Spain, an expected tax rate of 25% (2015: 25%) is used. These are the tax rates that have been substantively enacted at the balance sheet date.

The UK Finance Act (No.2) 2016, enacted on 26 October 2016, included provision for the main rate of corporation tax to reduce from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020. This will reduce the Company's future tax charge accordingly.

The Group has benefitted from the current year effect of losses and other temporary differences in certain companies which reduce the tax charge to the extent that no deferred tax asset was recognised when they arose.

Deferred tax summary

	2016 £'000	2015 £'000
Deferred tax assets recognised	37,635	11,680
Deferred tax liabilities	(58,239)	(52,874)
	(20,604)	(41,194)

Deferred tax assets

	Accelerated depreciation £'000	Retirement benefit obligations £'000	Tax allowable goodwill £'000	Other temporary differences £'000	Total £'000
At 1 January 2015	947	15,438	2,781	244	19,410
On disposal of subsidiary undertakings	-	-	-	(12)	(12)
Income statement	192	2,270	(465)	8,808	10,805
SOCI	-	(11,885)	-	-	(11,885)
Transfer to deferred tax liabilities	-	-	-	(6,638)	(6,638)
At 31 December 2015	1,139	5,823	2,316	2,402	11,680
Income statement	3,573	295	(519)	(6,052)	(2,703)
SOCI	-	18,900	-	951	19,851
Transfer from deferred tax liabilities	39	-	-	8,768	8,807
At 31 December 2016	4,751	25,018	1,797	6,069	37,635

Deferred tax liabilities

	Accelerated capital allowances £'000	Accelerated tax relief on goodwill £'000	Intangible assets acquired £'000	Other temporary differences £'000	Total £'000
At 1 January 2015	5,049	24,465	16,170	12,886	58,570
Additions	-	-	-	2	2
Income statement	(84)	4,164	(2,803)	(334)	943
SOCI	-	-	-	(3)	(3)
Transfer from deferred tax assets	-	-	-	(6,638)	(6,638)
At 31 December 2015	4,965	28,629	13,367	5,913	52,874
Income statement	3,754	(3,279)	(2,730)	(1,187)	(3,442)
Transfer to deferred tax assets	39	-	-	8,768	8,807
At 31 December 2016	8,758	25,350	10,637	13,494	58,239

8 Tax (continued)**Unrecognised deferred tax assets**

	2016	2015
	£'000	£'000
Capital losses	2,796	2,971
Trading losses	9,008	2,135
Accelerated depreciation	57	5,796
Other temporary differences	65	3,804
	11,926	14,706

Deferred tax assets have been recognised in respect of timing differences where the reversal of the originating difference is certain to arise in future periods. Deferred tax assets have not been recognised in respect of tax losses carried forward as recognition is dependent on the uncertain future profitability of those specific legal entities in which those losses arise, rather than being available to use within the Group. Capital losses can only be realised in the event of capital gains being realised in future periods.

9 Goodwill on acquisition of subsidiary undertakings

	£'000
Carrying amount	
At 1 January 2015	733,478
Additions	2,409
At 31 December 2015	735,887
Adjustment in respect of prior period acquisition	(123)
At 31 December 2016	735,764

On 31 December 2015, the Group acquired the whole of the share capital of Travel Point Trading Limited (since renamed Amey TPT Limited) for an estimated provisional consideration of £5.0 million. The excess of the consideration over the fair value of net assets and order books acquired related to know-how and access to new markets, and was capitalised accordingly as goodwill of £2.3 million. Travel Point Trading Limited provides management consulting services to the rail industry.

The allocation of goodwill to groups of cash-generating units (CGU) is as follows:

	2016	2015
	£'000	£'000
		<i>restated</i>
Highways	138,714	138,714
Environmental Services	110,360	110,360
Utilities & Facilities Management	268,123	268,123
Consulting & Rail	218,567	218,690
	735,764	735,887

At the start of 2016, the Group restructured its operations such that management responsibility for certain contracts held in the former Local Government division has now been transferred within the revised divisional structure to the Environmental Services division. In addition, responsibility for certain contracts held in the former Consulting & Strategic Infrastructure division has now been transferred to the Highways division. The divisional analysis in note 2 and the allocation of goodwill to CGU above for the prior year have been revised accordingly.

The recoverable amounts of goodwill are based on value-in-use which reflects forecast cash flows as derived from approved budgets and plans for the next five years. Projections beyond the forecast period use a terminal growth rate of 2% (2015: 2.0%). The underlying assumptions of these cash flows are based on the existing contract order book, on management's past experience and on probability ratios for new business generation. The cash flows have been discounted using a risk-based pre-tax discount rate of 8% (2015: 8%). The value-in-use indicates that sufficient headroom exists for each group of cash generating units such that a reasonably possible change to key assumptions, including a 2% increase to the discount rate and zero terminal growth rate, is unlikely to result in any impairment of goodwill with the exception of the Highways division, where any adverse change in the underlying assumptions on growth and discount rate could result in an impairment of goodwill.

10 Other intangible assets

	Order books £'000	Customer relationships £'000	Contracts £'000	Software £'000	Total £'000
Cost					
At 1 January 2015	35,500	61,100	119,760	17,338	233,698
Additions	2,409	-	-	4,459	6,868
Reclassification	-	-	-	2,624	2,624
Disposals	-	-	-	(454)	(454)
At 31 December 2015	37,909	61,100	119,760	23,967	242,736
Additions	-	-	-	3,092	3,092
Adjustment in respect of prior period addition	(122)	-	-	-	(122)
Reclassification	-	-	-	(1,931)	(1,931)
Disposals	-	-	-	(337)	(337)
At 31 December 2016	37,787	61,100	119,760	24,791	243,438
Amortisation					
At 1 January 2015	10,329	5,421	64,579	8,046	88,375
Charge for the year	5,904	3,096	7,704	2,375	19,079
Reclassification	-	-	-	2,108	2,108
Disposals	-	-	-	(452)	(452)
At 31 December 2015	16,233	8,517	72,283	12,077	109,110
Charge for the year	6,663	3,096	7,703	4,537	21,999
Reclassification	-	-	-	(1,931)	(1,931)
Disposals	-	-	-	(337)	(337)
At 31 December 2016	22,896	11,613	79,986	14,346	128,841
Carrying amount					
At 31 December 2016	14,891	49,487	39,774	10,445	114,597
At 31 December 2015	21,676	52,583	47,477	11,890	133,626

Customer order books and relationships as at 31 December 2016 arose on the acquisition of Enterprise in 2013 and principally relate to the present value of future income streams expected to arise from secured and unsecured contracts with existing customers. Customer order books are being amortised over a period of six years and customer relationships over a period of twenty years.

The 2015 addition and 2016 adjustment to order books arose in respect of acquisition of Travel Point Trading Limited (since renamed Amey TPT Limited) which is being amortised over a period of three years. Travel Point Trading Limited provides management consulting services to the rail industry. The reclassification of software in 2016 represents a correction to the analysis of cost and amortisation and in 2015 arose in respect of development costs that had previously been included in prepayments.

Also included in other intangible asset on contracts are rights to third party revenue forming part of a 25-year contract which is being amortised over the remaining term.

The remaining other intangible assets arising on contracts principally relate to contractual rights acquired with the purchase of the entire business of Jarvis LUL Limited in 2005, which provides key operational management and technical staff to Tube Lines under a secondment agreement. The contractual rights have been capitalised at their cost of £76.0 million and are being amortised over 13 years.

Software is amortised over periods of up to five years.

11 Property, plant and equipment

	Assets under construction £'000	Freehold land and buildings £000	Fixtures and fittings		Plant and machinery £'000	Total £'000
			Long leasehold £'000	Short leasehold £'000		
Cost						
At 1 January 2015	-	150	30,681	11,576	95,966	138,373
Additions	3,568	-	918	1,063	17,081	22,630
Disposals	-	(150)	-	-	(19,545)	(19,695)
At 31 December 2015	3,568	-	31,599	12,639	93,502	141,308
Additions	359	-	-	283	5,444	6,086
Reclassification	-	-	3,147	584	33,976	37,707
Disposals	-	-	-	(690)	(41,868)	(42,558)
At 31 December 2016	3,927	-	34,746	12,816	91,054	142,543
Depreciation						
At 1 January 2015	-	-	1,836	6,111	47,527	55,474
Provided in year	-	-	1,524	1,347	12,189	15,060
Disposals	-	-	-	-	(14,291)	(14,291)
At 31 December 2015	-	-	3,360	7,458	45,425	56,243
Provided in year	-	-	1,169	1,410	8,729	11,308
Reclassification	-	-	3,147	584	33,976	37,707
Disposals	-	-	-	(8)	(22,322)	(22,330)
At 31 December 2016	-	-	7,676	9,444	65,808	82,928
Carrying amount						
At 31 December 2016	3,927	-	27,070	3,372	25,246	59,615
At 31 December 2015	3,568	-	28,239	5,181	48,077	85,065

The net book value of plant and machinery held under finance lease and similar hire purchase contracts amounted to £11.5 million (2015: £27.1 million), on which depreciation charged in the year was £2.8 million (2015: £6.1 million).

The reclassification represents a correction to the analysis of cost and amortisation and arose in respect of historic disposals of assets acquired as part of the Enterprise acquisition.

12 Investments in joint ventures

	Cost of shares £'000	Share of post- acquisition profits £000	Loan advances £'000	Total £'000
Carrying value				
At 1 January 2015	92	18,116	16,253	34,461
Additions	-	729	-	729
Share of profit after tax for the year	-	10,858	-	10,858
Dividends paid by joint ventures	-	(6,337)	-	(6,337)
Share of movements in the SOCI:				
- derivatives	-	1,576	-	1,576
- deferred tax thereon	-	(904)	-	(904)
Loan advances	-	-	35,736	35,736
Loan repayments	-	-	(3,589)	(3,589)
At 31 December 2015	92	24,038	48,400	72,530
Share of profit after tax for the year	-	2,421	-	2,421
Dividends paid by joint ventures	-	(4,584)	-	(4,584)
Share of movements in the SOCI:				
- derivatives	-	194	-	194
- deferred tax thereon	-	(328)	-	(328)
- derivatives recycled through profit and loss	-	10,610	-	10,610
- deferred tax thereon	-	(1,804)	-	(1,804)
Loan advances	-	-	24,495	24,495
Loan repayments	-	-	(6,623)	(6,623)
At 31 December 2016	92	30,547	66,272	96,911

The Group's joint venture investments, including the percentage of interest held, are set out in note 24.

12 Investments in joint ventures (continued)

The Group's share of the results and net assets of joint ventures was as follows:

	2016	2015
	£'000	£'000
Share of revenue	358,563	301,396
Share of profit after tax for the year	2,421	10,858
Share of other comprehensive (expense) income	(2,394)	892
Share of capital expenditure	427	937
Share of gross assets	563,497	428,023
Share of gross liabilities	(569,060)	(429,029)
Share of net liabilities	(5,557)	(1,006)
Loan advances	66,272	48,400
Net investment in joint ventures	60,709	47,394
Included in:		
Investments in joint ventures	96,911	72,530
Provision for joint venture losses (note 21)	(36,202)	(25,136)
	60,709	47,394

The share of gross liabilities includes financial instrument derivatives within joint ventures which relate to interest rate swaps entered into by the joint ventures concerned as a means of hedging interest rate risk. In accordance with IAS 39, these derivatives are accounted for as cash flow hedges by the joint ventures with the effective portion of movements in fair value each year recognised in the SOCI and in the hedge reserve.

13 PFI/PPP Financial assets

Financial assets result from the application of IFRIC 12 (Service Concession Arrangements) for PFI/PPP waste management contracts. They are measured initially at fair value of consideration paid and subsequently at amortised cost. The financial asset amounts have corresponding items in PFI/PPP Non-recourse term-loans, which is secured on the assets of the special purpose company, AmeyCespa WM (East) Limited, in which the financial asset arises. The PFI/PPP Financial asset is a fixed rate financial asset and bears interest at an average rate of 6.0% (2015: 6.0%). The Group's credit risk on this financial asset, which is due wholly from Cambridgeshire County Council, is mitigated by maintaining a strong relationship with the Council. The asset is neither past due nor impaired.

14 Financial instruments

Financial risk

The financial risks affecting the Group are as follows:

Financial risk management - interest rate risk

The Group's main interest rate risk arises on bank borrowings where variable rate loans could expose the Group to cash flow interest rate risk.

Financial risk management - credit risk

The Group's main financial assets are cash and cash equivalents as well as trade and other receivables and represent the Group's maximum exposure to credit risk in connection with its financial assets. There are no significant concentrations of credit risk except for balances due from Ferrovial, S.A. group undertakings.

The Group's credit risk is mainly attributable to its non-public sector trade receivables. However, there are also significant amounts of trade receivables due from public sector clients and balances due from Ferrovial, S.A. group undertakings. The amounts are carried on the balance sheet net of bad debt provisions estimated by the Directors based on prior year experience and an evaluation of prevailing economic circumstances. Credit risk relating to investments in financial products is concentrated mainly on short-term investments. Counterparties are always financial institutions and a strict diversification policy is applied on the basis of credit ratings and maximum credit limits.

Financial risk management - exchange rate risk

The Group's principal exchange rate risk is in respect of intercompany loan balances denominated in euros and the interest cost thereon. The Directors are currently evaluating the options available to address this risk.

Financial risk management - funding and liquidity risk

A key function of the Group Treasury department is to ensure that the Group has sufficient cost effective facilities to meet its obligations in the short-term, medium-term and long-term.

- Group Treasury monitors the following activities:
- regular cash flow forecasts prepared by the business units and aggregated at Group level
- budget and forecast cash flows
- actual trading results, debt and balance sheet positions
- capital expenditure requests
- forecast facility availability

Special attention is paid to the liquidity of monetary assets. Group policy is to place any cash surpluses on short-term deposits with institutions with good quality credit ratings. Each credit institution is subject to a maximum level and deposits are spread across several institutions to mitigate risk.

IFRS 7 (Financial Instruments: Disclosure) requires the Group to analyse its financial assets and liabilities held at fair value according to the valuation basis applied. Level 1 represents fair values based on quoted prices in active markets; Level 2 represents fair values where the valuation uses inputs from quoted prices in active markets; Level 3 represents fair values where any significant valuation input is not based on observable market data. The Group has no Level 1 or Level 3 financial assets or liabilities. During the year, Level 2 financial liabilities are held by the Group's joint venture undertakings. Following the acquisition of AmeyCespa on 31 December 2013, Level 2 financial liabilities in respect of cash flow hedges are held on the balance sheet as derivatives. Other Level 2 financial liabilities continue to be held by the Group's joint venture undertakings.

14 Financial instruments (continued)**Financial risk (continued)**

Amounts recognised in respect of cash flow hedges (before related tax impact) were as follows:

	2016 £'000	2015 £'000
(Losses) profits included in the income statement:		
- in respect of gain on change in fair value of derivatives	-	367
- in respect of losses recycled to the income statement from reserves and included in the share of joint venture profit after tax	(10,610)	-
(Losses) gains included in the SOCI:		
- in respect of derivatives transferred from equity	(7,926)	748
- in respect of share of joint ventures change in fair value of derivatives	(13,133)	1,844
- in respect of losses recycled to the income statement from reserves	10,610	-

(Losses) profits included in the income statement relate to the Group's share of the ineffective portion of cash flow hedges held by the Group and joint ventures, and for the share of the joint venture profit after tax relate to fair value losses recycled to the income statement as a result of the breaking of the derivative. (Losses) gains included in the SOCI relate to changes in the fair value of the effective portion of derivatives held by the Group and joint ventures that are designated and qualify as cash flow hedges, and also in respect of fair value losses recycled to the income statement.

As a condition of lending, the PFI/PPP subsidiaries and joint ventures are required to take out interest rate hedges to fix the interest rate to hedge against cash flow interest rate risk until the debt has been repaid. The last of these hedges expires in 2034 for subsidiaries and 2039 for joint ventures.

All Group financial assets, with the exception of derivatives, are classified as loans and receivables and all financial liabilities, with the exception of derivatives, are classified as other financial liabilities measured at amortised cost.

Interest and exchange rate risks

The Group has used a sensitivity analysis technique that measures the estimated change in fair value of the Group's financial instruments to both the income statement and equity of an instantaneous increase or decrease of 0.5% in interest rates. This exercise has been performed purely for illustrative purposes as, in practice, these changes rarely occur in isolation. In preparing this analysis, it has been assumed that changes in interest rates affect the interest payable or receivable on floating rate financial instruments.

	Decrease of 0.5% in market interest rates £'000	Increase of 0.5% in market interest rates £'000
Impact on income statement and equity from net payables with Ferrovial, S.A. subsidiary undertakings at 31 December 2016	2,367	(2,367)

The amounts generated from the sensitivity analysis are estimates of the impact of interest rate risk assuming that the specified changes occur. Clearly, developments in global markets may cause the actual changes to differ significantly from the changes specified above. Therefore, this analysis should not be considered a projection of likely future events and losses. The sensitivities above exclude any potential impact on the Group's retirement benefit obligations.

The impact on net finance costs of a 10% change in the value of sterling against the euro would have been £3.3 million.

14 Financial instruments (continued)**Capital structure**

The Group manages its external borrowings, Ferrovia, S.A. group loans 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. Additional capital is funded by using the least-cost source at the time of fund-raising. At the year end, the Group's capital was as follows:

	2016 £'000	2015 £'000
Finance lease liabilities	10,451	25,682
PFI/PPP Non-recourse term loans	52,904	54,004
Current Ferrovia, S.A. group loans (note 27)	555	
Non-current Ferrovia, S.A. group loans (note 27)	575,543	439,469
Total external borrowings and Ferrovia, S.A. group loans	639,453	519,155
Total equity	376,821	519,829
	1,016,274	1,038,984

The Group is not subject to any externally-imposed capital requirements.

15 Trade and other receivables

	2016 £'000	2015 £'000
Current		
Trade receivables	101,013	75,899
Amounts recoverable on contracts	359,582	336,699
Amounts due from joint ventures	25,764	36,014
Amounts due from Ferrovia, S.A. subsidiary undertakings (note 27)	4,510	3,283
Other debtors	40,045	28,395
Prepayments and accrued income	48,789	55,900
	579,703	536,190
Non-current		
Amounts recoverable on contracts	56,288	38,337
Amounts due from Ferrovia Servicios, S.A. (note 27)	9,111	2,467
	65,399	40,804

There was no difference between the book value of the amounts due from Ferrovia, S.A. subsidiary undertakings and their equivalent fair values for 2016 and 2015. Fair value has been based on carrying amount.

15 Trade and other receivables (continued)

A provision for doubtful debtors was included within trade receivables as follows:

	2016 £'000	2015 £'000
At 1 January	5,212	5,361
Utilised	(385)	(553)
Charged to income statement	3,759	426
Credited to income statement	-	(22)
At 31 December	8,586	5,212

The ageing of trade receivables that are past due but not impaired was as follows:

	2016 £'000	2015 £'000
Not past due	53,104	51,002
Up to 2 months past due	33,845	15,735
More than 2 months past due	14,154	9,162
	101,013	75,899

Included in trade and other receivables are amounts due from customers of £372.3 million (2015: £290.6 million) accounted for using the principles of IAS 11.

16 Inventories

	2016 £'000	2015 £'000
Raw materials and consumable stocks	18,793	18,672

17 Cash and cash equivalents

	2016 %	2016 £'000	2015 %	2015 £'000
Floating rate	0.1	173,317	0.1	89,574

Included within cash and cash equivalents is £50.3 million (2015: £86.6 million) relating to jointly controlled and other operations in which the Group has restricted control. Individual bank balances and overdrafts have been offset where cash pooling and set-off arrangements are in place.

Of the cash and cash equivalents held above, £167,324,000 (2015: £73,514,000) is held in the UK, £19,000 (2015: £7,000) is held in Spain and £5,974,000 (2015: £16,053,000) is held elsewhere overseas.

18 Trade and other payables

	2016 £'000	2015 £'000
Current		
Trade payables	237,726	154,427
Payments received on account	4,635	5,391
Amounts due to Landmille Limited (note 27)	555	-
Amounts due to Ferrovial Servicios, S.A. (note 27)	1,182	2,280
Amounts due to joint ventures	727	732
Other creditors	55,109	59,170
Deferred income	46,104	52,084
Accruals	263,865	265,041
	609,903	539,125
<i>As presented on the balance sheet:</i>		
Trade and other payables	609,348	539,125
Ferrovial, S.A. group loans (note 27)	555	-
	609,903	539,125
Non-current		
Amounts due to Landmille Limited (note 27)		
- in more than 1 year but not more than 2 years	377,500	-
- in more than 2 years but not more than 5 years	169,500	411,592
Amounts due to other Ferrovial, S.A. group undertakings (note 27)		
- in more than 2 years but not more than 5 years	28,543	27,877
Other creditors		
- in more than 1 year but not more than 2 years	7,169	9,254
- in more than 2 years but not more than 5 years	1,000	2,000
Deferred income		
- in more than 1 year but not more than 2 years	4,515	3,505
	588,227	454,228
<i>As presented on the balance sheet:</i>		
Trade and other payables	12,684	14,759
Ferrovial, S.A. group loans (note 27)	575,543	439,469
	588,227	454,228

The non-current amounts shown above due to Landmille Limited have been subordinated in favour of the unsecured bank loans with recourse to the Group balance sheet. Included in current trade and other payables are amounts due to customers of £4.6 million (2015: £5.4 million) accounted for using the principles of IAS 11.

19 External borrowings

	Current 2016 £'000	Non- current 2016 £'000	Current 2015 £'000	Non- current 2015 £'000
Finance lease liabilities	2,473	7,978	6,073	19,609
PFI/PPP Non-recourse term loans	2,053	50,851	1,794	52,210
	4,526	58,829	7,867	71,819

	Expiry Date	Interest rate	2016 £'000	2015 £'000
PFI/PPP Non-recourse term loans	2034	Fixed	52,904	54,004
			52,904	54,004

The Group also has undrawn floating rate bank loan facilities totalling £160 million, which all mature in July 2021.

External borrowings mature as follows:

	Finance lease liabilities 2016 £'000	PFI/PPP Non- recourse term loans 2016 £'000	Total 2016 £'000
Due within 1 year	2,473	2,053	4,526
Due within 2 to 5 years	7,978	3,261	11,239
Due after more than 5 years	-	47,590	47,590
	10,451	52,904	63,355

	2015 £'000	2015 £'000	2015 £'000
Due within 1 year	6,073	1,794	7,867
Due within 2 to 5 years	19,609	3,678	23,287
Due after more than 5 years	-	48,532	48,532
	25,682	54,004	79,686

19 External borrowings (continued)

PFI/PPP Non-recourse term loans have been secured on the assets of AmeyCespa WM (East) Limited.

The weighted average interest rate for PFI/PPP Non-recourse term loans was 5.08% (2015: 5.98%). The interest rate on the finance lease liabilities are fixed at an average rate of 3.9% (2015: 3.8%).

There was no difference between the external borrowings shown above and their equivalent fair values for 2016 and 2015. Fair value has been based on carrying amount.

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. Group Treasury 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 on a group basis based on business needs, tax, capital or regulatory considerations, if applicable, through numerous sources of finance in order to maintain flexibility. In accordance with IFRS 7, the table below contains both the repayment of principal and associated interest payments.

	Finance lease liabilities 2016 £'000	PFI/PPP Non- recourse term loans 2016 £'000	Total 2016 £'000
Due within 1 year	2,823	5,198	8,021
Due within 2 to 5 years	8,499	15,417	23,916
Due after more than 5 years	-	70,313	70,313
Total	11,322	90,928	102,250
Less: impact of future finance costs	(871)	(38,024)	(38,895)
As reported on the balance sheet	10,451	52,904	63,355
	2015 £'000	2015 £'000	2015 £'000
Due within 1 year	6,987	5,096	12,083
Due within 2 to 5 years	21,031	16,729	37,760
Due after more than 5 years	-	73,262	73,262
Total	28,018	95,087	123,105
Less: impact of future finance costs	(2,336)	(41,083)	(43,419)
As reported on the balance sheet	25,682	54,004	79,686

Finance leases relate to many small agreements throughout the Group, none of which are deemed significant enough for separate disclosure.

20 Retirement benefit schemes

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

Defined contribution schemes

The principal defined contribution schemes are as follows:

- *Amey Group Flexible Retirement Plan*, offered to new employees at Amey and for current employees previously in various legacy defined contribution schemes which have now closed
- *The People's Pension*, a workplace pension utilised as Amey's primary automatic enrolment solution

The pension expense recognised in the income statement in respect of defined contribution schemes was £19.0 million (2015: £19.7 million).

Defined benefit schemes

The principal defined benefit schemes are as follows:

- *Amey Pension Scheme*, previously offered to eligible staff that had not been transferred into the Group via acquisition or outsourcing. However, this scheme does include staff that transferred out of the Ministry of Defence at the time the Comax business separated from the Defence Evaluation and Research Agency. This scheme is now closed to new entrants and future accrual ceased for existing members with effect from 5 April 2012
- *Amey OS Pension Scheme – Amey section*, offered historically to former public sector employees who have transferred into the Group under a variety of public sector outsourcing contracts, but is now essentially closed to new members
- *Amey OS Pension Scheme – Accord section*, provided historically for those eligible employees who worked principally within Accord Limited, a subsidiary of Enterprise acquired in 2013, but is now essentially closed to new members
- *Railways Pension Scheme*, provides for those eligible employees who are working within Amey Rail Limited, Amey OWR Limited or elsewhere in the Group. Amey has two shared-cost sections; the Amey Rail and Owen Williams Sections. The Group accounts for its share of the separately identified assets and liabilities of these Sections
- *Citrus Pension Scheme*, this scheme is now closed to new entrants and future accrual ceased for existing members with effect from 31 October 2016. The Group accounts for its share of the separately identified assets and liabilities of this scheme
- *West Yorkshire Pension Fund*, the Group has a liability to this scheme for former eligible Wakefield Council employees who transferred into the Group under TUPE transfer arrangements
- *West Midlands Pension Fund*, the Group has a liability to this scheme for former eligible Walsall Council employees who transferred into the Group under TUPE transfer arrangements

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

The latest actuarial funding valuations of the Group's principal defined benefit schemes have been updated by the actuaries to 31 December 2016 on a basis consistent with the requirements of IAS 19. In particular, scheme liabilities have been discounted using the rate of return on high quality bonds rather than the expected rate of return on the assets used in the funding valuations. The valuations were carried out on the dates indicated below.

	Date of latest valuation
Amey Pension Scheme	31 March 2014
Amey OS Pension Scheme – Amey section	5 April 2014
Amey OS Pension Scheme – Accord section	31 March 2015
Railways Pension Scheme	31 December 2013
Citrus Pension Scheme	31 March 2015
West Yorkshire Pension Fund	31 March 2016
West Midlands Pension Fund	31 March 2016

20 Retirement benefit schemes (continued)**Defined benefit schemes (continued)**

The principal actuarial assumptions used are as follows:

	2016 %	2015 %
Rate of increase in salaries	1.9 to 3.7	2.5
Rate of increase in pensions in payment	1.75 – 3.75	1.65 – 3.7
Discount rate	2.65	3.9
Inflation assumption – RPI	3.4	3.15
Inflation assumption – CPI	2.4	2.15

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

	2016 Years	2015 Years
Remaining life of a member aged 65		
- men	21.8 – 23.4	21.7 – 23.3
- women	23.3 – 25.9	23.2 – 25.8
Remaining life of a member aged 45		
- men	23.5 – 26.0	23.4 – 26.0
- women	25.2 – 28.3	25.1 – 28.2

The duration of a scheme is an indicator of the weighted-average time until benefit payment will be made. For the schemes in aggregate, the duration is around 18.5 years reflecting the appropriate split of the defined benefit obligation between current employees, deferred members and pensioners.

The amount recognised in the balance sheet was as follows:

	2016 £'000	2015 £'000
Present value of funded obligations	(953,160)	(735,916)
Fair value of plan assets	806,604	704,040
Deficit	(146,556)	(31,876)
Present value of unfunded obligations	(617)	(490)
Liability on the balance sheet	(147,173)	(32,366)

The amount recognised in the income statement was as follows:

	2016 £'000	2015 £'000
Current service cost (note 5)	3,556	3,507
Other pension credits, including plan amendments and settlements (note 5)	(239)	(547)
Total included under staff costs	3,317	2,960
Pension scheme administration costs	1,913	1,553
Finance expense	954	2,416
Total income statement charge	6,184	6,929

20 Retirement benefit schemes (continued)**Defined benefit schemes (continued)**

In 2016, the Group recorded a past service credit of £0.2 million from the closure of the Citrus Pension Scheme to future accrual of benefits and in 2015 a past service credit of £0.5 million from discontinuing unfunded unapproved retirement benefits to a small number of eligible employees.

Pension expense, excluding interest, is charged to contracts or overhead based on a share of scheme members and is included in cost of sales: net operating expenses. The best estimate of the contributions expected to be paid to the defined benefit schemes for the next financial year is £3.9 million for regular payments and £13.3 million for additional top-up payments.

The amount recognised in other comprehensive income was as follows:

	2016 £'000	2015 £'000
Actuarial losses (gains)	125,958	(34,298)
Total expense (income) recognised in the SOCI	125,958	(34,298)

Actuarial gains and losses have been reported in the SOCI. The Group's share of the actual performance of fund assets was an increase of £111.8 million (2015: £12.0 million).

The movements in the balance sheet liability were as follows:

	2016 £'000	2015 £'000
At 1 January	32,366	77,204
Total income statement charge	6,184	6,929
Total expense (income) recognised in the SOCI	125,958	(34,298)
Employer contributions – regular payments	(4,046)	(3,421)
Employer contributions – additional top-up payments	(13,289)	(14,048)
At 31 December	147,173	32,366

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

	2016 £'000	2015 £'000
At 1 January	736,406	778,939
Liabilities extinguished on settlements	-	(1,560)
Service cost, including employees' share	4,173	4,318
Interest cost	28,235	27,571
Actuarial losses (gains)	210,515	(47,501)
Curtailment gains	(239)	-
Benefits paid	(25,313)	(25,361)
At 31 December	953,777	736,406

20 Retirement benefit schemes (continued)**Defined benefit schemes (continued)**

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

	2016 £'000	2015 £'000
At 1 January	704,040	701,735
Assets extinguished on settlements	-	(1,013)
Interest on assets	27,281	25,155
Actuarial gains (losses)	84,557	(13,203)
Administration expenses	(1,913)	(1,553)
Contributions from employees	617	811
Employer contributions – regular payments	4,046	3,421
Employer contributions – additional top-up payments	13,289	14,048
Benefits paid	(25,313)	(25,361)
At 31 December	806,604	704,040

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

	2016 £'000	2015 £'000
Equities	236,618	273,112
Corporate bonds	62,814	121,732
Government bonds	418,159	254,805
Property	53,071	44,905
Cash and cash equivalents	35,942	9,486
	806,604	704,040

The sensitivity of the balance sheet position to changes in the key assumptions is set out below:

Assumption	Increase in liability on the balance sheet £'000
+0.5% change to the RPI assumption	66,200
-0.5% change to discount rate assumed	88,300
Members' life expectancy increases by one year	26,700

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

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

20 Retirement benefit schemes (continued)**Defined benefit schemes (continued)**

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

Inflation risk: Many of the Schemes' benefits are linked to inflation, and as a result higher expectations of future inflation leads to a higher value being placed on the liabilities. However, there are caps on the level of inflationary increases which protects the Schemes in the extent of extreme inflation. The Schemes each hold assets to match a specified proportion of movements in inflation. The remainder of the assets are unaffected by (i.e. fixed interest bonds) or loosely correlated with (i.e. equities and property) inflation, meaning that an increase in inflation will also increase the deficit. The extent to which the Schemes' liabilities move due to inflation varies on a scheme by scheme basis, influenced by the benefits provided by the individual pension schemes. For example the Amey OS pension scheme is less sensitive to movements in inflation compared to the Amey Pension Scheme. Liabilities will also increase should actual inflation be higher than expected in the liability valuation.

Life expectancy: The Schemes' obligations are to provide benefits for the life of the member after retirement and their spouse following the member's death. As a result, higher life expectancies will lead to a higher value being placed on the liabilities. This is particularly relevant where the Schemes have significant inflationary increases, as this results in a higher sensitivity to changes in life expectancy. The Company notes that this is a risk to which any DB pension scheme is exposed, and that, alongside the Trustees of its Schemes, it has taken steps to mitigate risk through purchasing insurance policies in respect of a portion of the Schemes' membership. Holding insurance policies in respect of some pensioner members reduces the sensitivity to changes in life expectancies, but this remains a risk in respect of non-pensioner members of the Schemes whose obligations are more sensitive to increases in future improvements in life expectancies and are not covered by the insurance policies.

21 Provisions for other liabilities and charges

	Onerous lease provision £'000	Insurance reserve £'000	Contract loss and claims provision £'000	Joint venture loss provision £'000	Landfill site provision £'000	Total £'000
At 1 January 2015	5,159	9,664	26,725	25,356	3,723	70,627
Income statement	(2,553)	2,770	52,228	-	473	52,918
Utilisation	(923)	(1,779)	(15,819)	-	(196)	(18,717)
Share of movements of joint ventures in the SOCI	-	-	-	(220)	-	(220)
At 31 December 2015	1,683	10,655	63,134	25,136	4,000	104,608
Income statement	-	3,655	(494)	-	373	3,534
Utilisation	(450)	(1,992)	(11,147)	-	-	(13,589)
Share of movements of joint ventures in the SOCI	-	-	-	11,066	-	11,066
At 31 December 2016	1,233	12,318	51,493	36,202	4,373	105,619
<i>As presented on the balance sheet:-</i>						
Current liabilities	426	-	14,000	-	-	14,426
Non-current liabilities	807	12,318	37,493	36,202	4,373	91,193
At 31 December 2016	1,233	12,318	51,493	36,202	4,373	105,619
Current liabilities	1,205	-	19,745	-	-	20,950
Non-current liabilities	478	10,655	43,389	25,136	4,000	83,658
At 31 December 2015	1,683	10,655	63,134	25,136	4,000	104,608

21 Provisions for other liabilities and charges (continued)

The onerous lease provision is in respect of property leases and is expected to be utilised over the remaining lease terms. The insurance reserve arose initially on the underwriting activities in Amey Insurance Company PCC Limited and represents claims made for which the Group is considered liable and will be utilised as the claims arise. Amey Insurance Company PCC Limited surrendered its insurance licence on 16 March 2016, prior to that company's dissolution, but the Group continues to maintain an insurance reserve on the same basis. The contract loss and claims provision represents estimated future contract losses and will be utilised as the losses arise. The joint venture loss provision represents the Group's share of losses recognised which principally arise from deficits on fair value of derivatives and will reverse over the period over which those derivatives are held. The landfill site provision represent the Group's post-closure cost for site restoration and aftercare for up to sixty years. Provisions have not been discounted as the impact of such discounting is immaterial.

22 Share capital

Ordinary shares of £1 each	2016 Number	2016 £'000	2015 Number	2015 £'000
Authorised				
At 1 January 2015, 31 December 2015 and at 31 December 2016	4,000,000	4,000	4,000,000	4,000
Allotted, called up and fully paid				
At 1 January 2015, 31 December 2015 and at 31 December 2016	3,676,768	3,677	3,676,768	3,677

23 Cash flow generated from operating activities

	2016 £'000	2015 £'000
(Loss) profit before tax	(43,878)	23,641
Adjustment for net finance expense		
Finance income	(12,864)	(10,045)
Finance costs	40,899	33,454
	28,035	23,409
Adjustment for non-cash movements		
Depreciation of property, plant and equipment	11,308	15,060
Amortisation of intangible assets	21,999	19,079
Non-cash pension credit	(12,105)	(12,956)
Share of profit after tax of joint ventures	(2,421)	(10,858)
Profit on disposal of property, plant and equipment	(5,423)	(740)
Loss on disposal of subsidiary undertaking	-	764
Non-cash provisions movement	3,534	52,918
	16,892	63,267
Movement in working capital		
(Increase) decrease in inventories	(121)	2,282
Increase in receivables	(63,214)	(53,684)
Increase (decrease) in payables	68,393	(31,798)
Utilisation of provisions	(13,589)	(18,717)
	(8,531)	(101,917)
Cash flow generated from operating activities	(7,482)	8,400

24 Subsidiary undertakings, joint venture undertakings and jointly controlled operations

All subsidiary undertakings are incorporated in England and Wales and operate principally in the UK (unless otherwise indicated). The Group's voting rights and the interest in their equity shares are 100% (unless otherwise indicated). All interests are held through another subsidiary undertaking with the exception of Amey Holdings Limited, which is held directly by Amey UK plc. All subsidiary undertakings have been consolidated.

Active subsidiary undertaking	Nature of business
Amey Holdings Limited	Holding company
Amey plc	Holding company
Accord Limited	Holding company
Amey Community Limited	Building support services
Amey Construction Limited	Highway management and maintenance
Amey Consulting Australia Pty Limited (<i>Australia</i>)	Highway management and maintenance (<i>Australia</i>)
Amey Consulting LLC (<i>Qatar</i>) (49%)	Highway management and maintenance (<i>Qatar</i>)
Amey Consulting USA, Inc. (<i>USA</i>)	Highway management and maintenance (<i>USA</i>)
Amey Finance Services Limited	Group insurance activities
Amey Fleet Services Limited	Specialist fleet support services
Amey Group Information Services Limited	Group IT services
Amey Group Services Limited	Group central services
Amey Highways Limited	Highway management and maintenance
Amey Investments Limited	Investment holdings
Amey LG Limited	Highway management and maintenance
Amey LUL 2 Limited	Sub-surface rail management services
Amey Mechanical and Electrical Services Limited	Building support services
Amey Metering Limited	Metering services
Amey OW Limited	Professional services to highways market
Amey OWR Limited	Professional services to rail market
Amey Power Services Limited	Power network maintenance
Amey Programme Management Limited	Building support services
Amey Public Services LLP (67%)	Highway management and maintenance
Amey Rail Limited	Rail services, management and maintenance
Amey Roads (North Lanarkshire) Limited (67%)	Highway management and maintenance
Amey Services Limited	Payroll services
Amey TPT Limited	Professional services to rail market
Amey Utility Services Limited	Utilities network maintenance
Amey Ventures Limited	Bid management
Amey Ventures Asset Holdings Limited	Investment holdings
Amey Ventures Management Services Limited	Investment management
Amey Wye Valley Limited (80%)	Highways maintenance and other services
AmeyCespa Limited (50%)	Waste management
AmeyCespa (AWRP) ODC Limited (50%)	Waste management
AmeyCespa (East) Limited (50%)	Waste management
AmeyCespa (East) Holdings Limited (50%)	Holding company
AmeyCespa (IOW) SPV Limited	Waste management
AmeyCespa (MK) ODC Limited (50%)	Waste management
AmeyCespa Services (East) Limited (50%)	Waste management
AmeyCespa WM (East) Limited (50%)	Waste management
Brophy Grounds Maintenance Limited	Environmental services
Byzak Limited	Water systems maintenance
CFM Building Services Limited (<i>Scotland</i>)	Buildings maintenance
Enterprise plc	Holding company
Enterprise (AOL) Limited	Environmental services and highways maintenance
Enterprise (Venture Partner) Limited	Investment holdings
Enterprise Holding Company No.1 Limited	Holding company
Enterprise Managed Services Limited	Utilities network maintenance and environmental services
Enterprise Manchester Partnership Limited (80%)	Environmental services
Enterprise Public Services Limited	Holding company
Fleet and Plant Hire Limited	Specialist fleet support services
Globemile Limited	Holding company
Heating and Building Maintenance Company Limited	Facilities management
JJ McGinley Limited	Building support services
MRS Environmental Services Limited	Environmental services
Nationwide Distribution Services Limited	Highways maintenance and other services
Novo Community Limited	Rehabilitation and offender management services
Sherard Secretariat Services Limited	Company secretarial services
Slough Enterprise Limited	Environmental services

24 Subsidiary undertakings, joint venture undertakings and jointly controlled operations (continued)**Dormant subsidiary undertaking**

A.R.M. Services Group Limited	Enterprise Consulting and Solutions Limited*
Access Hire Services Limited	Enterprise Fleet Limited
Accord Asset Management Limited	Enterprise Foundation (ETR) Limited
Accord Consulting Services Limited	Enterprise Islington Limited
Accord Environmental Services Limited	Enterprisekeepmoat Limited*
Accord Leasing Limited*	Enterprise Lighting Services Limited
Accord Network Management Limited	Enterprise Maintenance Services Limited*
Allerton Waste Recovery Park Interim SPV Limited	Enterprise Managed Services (BPS) Limited
Amey Airports Limited	Enterprise Transport Services Limited*
Amey Building Limited	Enterprise Utility Services (DCE) Limited*
Amey Datel Limited	Enterprise Utility Services (TBC) Limited*
Amey Facilities Partners Limited	First Claims Response Limited*
Amey IT Services Limited	First Claims Response (Manchester) Limited*
Amey OW Group Limited	Haringey Enterprise Limited
Amey Railways Holding Limited	Hillcrest Developments (Yorkshire) Limited
Amey Technology Services Limited	ICE Developments Limited
Amey Tramlink Limited	JDM Accord Limited
Amey Tube Limited	JNP Ventures Limited
Arkeco Environmental Services Limited*	JNP Ventures 2 Limited
Brophy Enterprise Limited*	Lancashire Enterprises (Europe) Limited*
Byzak Contractors (Scotland) Limited* (Scotland)	MRS St Albans Limited
CCMR Limited*	Prism Research Limited*
Comax Holdings Limited	Rhuburt Street Lighting Limited*
Countrywide Property Inspections Limited	Schofield Lothian Group Limited*
CRW Maintenance Limited	TPI (Holdings) Limited
Datamerse Limited*	Transportation Planning (International) Limited
Durley Group Holdings Limited	Trinity Group Holdings Limited
Enterprise (ERS) Limited	TSG Services Limited*
Enterprise Building Services Limited	W.M.Y. Consulting Limited*
Enterprise Business Solutions 2000 Limited	Wimco Limited

* Company is in member's voluntary liquidation

Accord Network Management Limited, EnterpriseManchester Partnership Limited and Enterprise Foundation (ETR) Limited all have financial periods ending on 31 March. Amey Wye Valley Limited has a financial period ending on 30 June. All other subsidiary undertakings have financial periods ending on 31 December. Where a subsidiary undertaking does not have a coterminous year end, interim financial statements have been prepared.

24 Subsidiary undertakings, joint venture undertakings and jointly controlled operations (continued)

The Group's joint venture undertakings, which are registered in England and Wales (unless otherwise indicated) and the proportion of equity held directly or indirectly are as follows:

Joint venture undertaking	Nature of business	2016 % held	2015 % held
ALC (FMC) Limited	PFI asset management concession for the MOD	50.0	50.0
Amey Birmingham Highways Holdings Limited	PFI Highways concession in Birmingham	33.3	33.3
Amey Birmingham Highways Limited	PFI Highways concession in Birmingham	33.3	33.3
Amey FMP Belfast Strategic Partnership Hold Co Limited	Managing development of schools and libraries in Northern Ireland	70.0	70.0
Amey FMP Belfast Strategic Partnership SP Co Limited	Managing development of schools and libraries in Northern Ireland	70.0	70.0
Amey Hallam Highways Holdings Limited	PFI Highways concession in Sheffield	33.3	33.3
Amey Hallam Highways Limited	PFI Highways concession in Sheffield	33.3	33.3
Amey Ventures Investments Limited	Investment holdings	10.0	10.0
Amey-Webber LLC (USA)	Highways maintenance	51.0	51.0
AmeyCespa (AWRP) Holding Co Limited	PFI waste management concession	16.7	16.7
AmeyCespa (AWRP) SPV Limited	PFI waste management concession	16.7	16.7
AmeyCespa (MK) Holding Co Limited	PFI waste management concession	50.0	50.0
AmeyCespa (MK) SPV Limited	PFI waste management concession	50.0	50.0
CarillionAmey Limited	Facilities management and buildings maintenance	50.0	50.0
CarillionAmey (Housing Prime) Limited	Housing maintenance on behalf of the MOD	33.3	33.3
EduAction (Waltham Forest) Limited	Education support services outsourcing	50.0	50.0
GEO Amey PECS Limited	Prisoner escort and custody services	50.0	50.0
Integrated Bradford Hold Co Two Limited	PFI schools concession in Bradford	6.0	6.0
Integrated Bradford LEP Limited	PFI schools concession in Bradford	40.0	40.0
Integrated Bradford LEP Fin Co One Limited	PFI schools concession in Bradford	40.0	40.0
Integrated Bradford PSP Limited	PFI schools concession in Bradford	50.0	50.0
Integrated Bradford SPV Two Limited	PFI schools concession in Bradford	6.0	6.0
Keolis Amey Docklands Limited	Railways maintenance	30.0	30.0
Keolis Amey Metrolink Limited	Railways maintenance	40.0	-
Ventia Boral Amey NSW Pty Limited (Australia)	Highways management and maintenance (Australia)	22.2	22.2
Ventia Boral Amey QLD Pty Limited (Australia)	Highways management and maintenance (Australia)	20.0	20.0
MTCnovo Limited	Rehabilitation and offender management services	50.0	50.0
Scot Roads Partnership Holdings Limited (Scotland)	Highways maintenance	20.0	20.0
Scot Roads Partnership Project Limited (Scotland)	Highways maintenance	20.0	20.0
Scot Roads Partnership Finance Limited (Scotland)	Highways maintenance	20.0	20.0
The London Community Rehabilitation Company Limited	Rehabilitation and offender management services	50.0	50.0
The Thames Valley Community Rehabilitation Company Limited	Rehabilitation and offender management services	50.0	50.0

24 Subsidiary undertakings, joint venture undertakings and jointly controlled operations (continued)

The following joint venture undertakings, and the Group proportion of equity held, are held indirectly through Amey Ventures Investments Limited:

Joint venture undertaking	Nature of business	2016 % held	2015 % held
AHL Holdings (Manchester) Limited	PFI street lighting concession	5.0	5.0
Amey Highways Lighting (Manchester) Limited	PFI street lighting concession	5.0	5.0
AHL Holdings (Wakefield) Limited	PFI street lighting concession	5.0	5.0
Amey Highways Lighting (Wakefield) Limited	PFI street lighting concession	5.0	5.0
ALC (Superholdco) Limited	PFI asset management concession for the MOD	5.0	5.0
ALC (Holdco) Limited	PFI asset management concession for the MOD	5.0	5.0
ALC (SPC) Limited	PFI asset management concession for the MOD	5.0	5.0
Amey Belfast Schools Partnership Hold Co Limited	PFI schools concession	10.0	10.0
Amey Belfast Schools Partnership PFI Co Limited	PFI schools concession	10.0	10.0
Amey Lighting (Norfolk) Holdings Limited	PFI street lighting concession	10.0	10.0
Amey Lighting (Norfolk) Limited	PFI street lighting concession	10.0	10.0
Amey Roads NI Holdings Limited (Northern Ireland)	PFI highways concession in Northern Ireland	5.0	5.0
Amey Roads NI Limited (Northern Ireland)	PFI highways concession in Northern Ireland	5.0	5.0
Amey Roads NI Financial Limited (Northern Ireland)	PFI highways concession in Northern Ireland	5.0	5.0
E4D&G Holdco Limited	PFI schools concession in Dumfries & Galloway	8.5	8.5
E4D&G Project Co Limited	PFI schools concession in Dumfries & Galloway	8.5	8.5
Integrated Bradford Hold Co One Limited	PFI schools concession in Bradford	3.3	3.3
Integrated Bradford SPV One Limited	PFI schools concession in Bradford	3.3	3.3
RSP (Holdings) Limited (Scotland)	PFI schools concession in Renfrewshire	3.5	3.5
The Renfrewshire Schools Partnership Limited (Scotland)	PFI schools concession in Renfrewshire	3.5	3.5
Services Support (Avon and Somerset) Holdings Limited	PFI courts concession in Bristol	2.0	2.0
Services Support (Avon and Somerset) Limited	PFI courts concession in Bristol	2.0	2.0

The Group also has an interest in the following jointly controlled operations:

Jointly controlled operation	Nature of business	2016 % held	2015 % held
Amey Black and Veatch	Water systems maintenance	50.0	50.0
AmeyColas	Rail track maintenance and renewal	50.0	50.0
AmeyInabensa	Rail track maintenance and renewal	50.0	-
Amey Lafarge	Highway management and maintenance	70.0	70.0
Amey-Miller Glasgow Schools	Building support services	50.0	50.0
AmeyMouchel	Highway management and maintenance	75.0	75.0
AmeySersa	Rail track maintenance and renewal	70.0	70.0
Ventia Boral Amey New South Wales (Australia)	Highway management and maintenance	20.0	20.0
Ventia Boral Amey Queensland (Australia)	Highway management and maintenance	22.2	22.2

All joint venture undertakings are incorporated and operate in the UK, with the exception of Amey-Webber LLC (USA) and Ventia Boral Amey QLD Pty Limited, Ventia Boral Amey NSW Pty Limited (both Australia). The Ventia Boral Amey New South Wales and Ventia Boral Amey Queensland jointly controlled operations are based in Australia. All joint venture undertakings and jointly controlled operations are held through other subsidiary undertakings.

All joint ventures undertakings have financial periods ending on 31 December, with the exception of EduAction (Waltham Forest) Limited, Amey Roads NI Holdings Limited, Amey Roads NI Limited and Amey Roads NI Financial Limited (all 31 March) and Amey Birmingham Highways Holdings Limited and Amey Birmingham Highways Limited (30 June). Where a joint venture undertaking does not have a coterminous year end, interim financial statements have been prepared.

24 Subsidiary undertakings, joint venture undertakings and jointly controlled operations (continued)**Registered offices**

The registered office of subsidiary and joint venture undertakings is The Sherard Building, Edmund Halley Road, Oxford, OX4 4DQ, United Kingdom. The exceptions to this are set out in the table below:

Undertaking	Registered office (United Kingdom, unless otherwise indicated)
Accord Leasing Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
AHL Holdings (Manchester) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
AHL Holdings (Wakefield) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
Arkeco Environmental Services Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Amey Consulting Australia Pty Limited	Level 26, 181 William Street, Melbourne, VIC 3000, Australia
Amey Consulting LLC	Doha, Qatar
Amey Consulting USA, Inc.	1130 Post Oak Boulevard, Suite 1250, Houston, Texas 77056
Amey Highways Lighting (Manchester) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
Amey Highways Lighting (Wakefield) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG
Amey Roads NI Limited	Murray House, Murray Street, Belfast, BT1 6DN
Amey Roads NI Holdings Limited	Murray House, Murray Street, Belfast, BT1 6DN
Amey Roads NI Financial plc	Murray House, Murray Street, Belfast, BT1 6DN
Brophy Enterprise Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Byzak Contractors (Scotland) Limited	International House, Stanley Boulevard, Hamilton Intl Technology Park, Blantyre, Glasgow, G72 0BN
CarillionAmey Limited	84 Salop Street, Wolverhampton, WV3 0SR
CarillionAmey (Housing Prime) Limited	84 Salop Street, Wolverhampton, WV3 0SR
CCMR Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
C.F.M. Building Services Limited	International House, Stanley Boulevard, Hamilton Intl Technology Park, Blantyre, Glasgow, G72 0BN
Datamerse Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Enterprise Consulting and Solutions Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Enterprisekeepmoat Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Enterprise Maintenance Services Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Enterprise Transport Services Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Enterprise Utility Services (DCE) Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Enterprise Utility Services (TBC) Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
First Claims Response Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
First Claims Response (Manchester) Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Fleet and Plant Hire Limited	The Matchworks Pavillions 3 and 4, Garston, Liverpool, L19 2PH
Kéolis Amey Docklands Limited	Evergreen Building North, 160 Euston Road, London, NW1 2DX
Keolis Amey Metrolink Limited	Evergreen Building North, 160 Euston Road, London, NW1 2DX
Lancashire Enterprises (Europe) Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Ventia Boral Amey NSW Pty Limited	Level 4, Tower 1, 495 Victoria Avenue, Chatswood SA, NSW 2067, Australia
Ventia Boral Amey QLD Pty Limited	Level 4, Tower 1, 495 Victoria Avenue, Chatswood SA, NSW 2067, Australia
Prism Research Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Rhoburt Street Lighting Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
RSP (Holdings) Limited	Precision House, McNeil Drive, Motherwell, ML1 4UR
Schofield Lothian Group Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
Scot Roads Partnership Finance Limited	Hermiston House, Unit B M8 Central Business Park, Greenside Road, Newhouse, Motherwell, ML1 5FL
Scot Roads Partnership Holdings Limited	Hermiston House, Unit B M8 Central Business Park, Greenside Road, Newhouse, Motherwell, ML1 5FL
Scot Roads Partnership Project Limited	Hermiston House, Unit B M8 Central Business Park, Greenside Road, Newhouse, Motherwell, ML1 5FL
Services Support (Avon & Somerset) Limited	Victoria House, Victoria Road, Chelmsford, Essex, CM1 1JR
Services Support (Avon & Somerset) Holdings Limited	Victoria House, Victoria Road, Chelmsford, Essex, CM1 1JR
The Renfrewshire Schools Partnership Limited	Precision House, McNeil Drive, Motherwell, ML1 4UR
TSG Services Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU
W.M.Y. Consulting Limited	West Point, 501 Chester Road, Old Trafford, Manchester, M16 9HU

25 Financial and capital commitments**Operating leases – lessee**

The cash amounts payable over the life of remaining lease period by year of cash outflow are as follows:

	Land and buildings 2016 £'000	Other 2016 £'000	Land and buildings 2015 £'000	Other 2015 £'000
Within 1 year	9,664	24,944	10,616	21,527
In 2 to 5 years inclusive	26,804	47,310	29,188	39,852
After 5 years	9,721	8,377	13,256	1,994
	46,189	80,631	53,060	63,373

Operating leases relate to many small agreements throughout the Group, none of which are deemed significant enough for separate disclosure.

Other financial commitments

The Group is committed to contributing subordinated loan capital of £24.1 million (2015: £48.6 million) to joint venture undertakings between 2017 and 2018.

26 Contingent liabilities

As part of its activities, the Group is subject to contingent liabilities arising from the performance of certain contracts. At 31 December 2016, the Group has provided bank guarantees totalling £261 million (2015: £258 million). In some cases, liabilities not covered by bank guarantees are covered by guarantees granted by fellow Group members, though these do not impact the overall Group. Guarantees have also been provided to joint venture undertakings totalling £1,017 million (2015: £1,115 million), of which the most relevant are those provided to the UK Ministries of Defence and Justice for both current and future service provision. A portion of the risk associated with guarantees has been mitigated through third party liability or construction defect insurance policies. The Directors consider the likelihood of a claim arising under these performance bonds, indemnities or guarantees to be remote.

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

The Group claims tax relief in Spain for the amortisation of goodwill arising on the acquisition of UK subsidiaries, as permitted under Spanish law. This law was subject to a challenge by the European Commission on competition grounds in respect of acquisitions after December 2007 (not affecting the Group's goodwill), with their first and second decisions issued in October 2009 and January 2011. In October 2014, the EU Commission issued a new Decision (the third Decision) challenging the amortisation of goodwill that arises from indirect acquisitions, also on competition grounds, affecting any time acquisitions. The Kingdom of Spain, Ferrovial, S.A., Ferrovial Servicios, S.A. and the Group (and other Spanish groups) have brought an appeal in 2015 against the third Commission decision before the EU General Court of Justice that is still pending. In November 2014, the EU General Court of Justice held in favour of Spain on the first and second decisions (the third decision was not part of this appeal, but subject to a separate stayed appeal). In December 2016, following an appeal by the European Commission on a limited point of law, the November 2014 ruling was annulled by the superior EC Court of Justice and the case referred back to the EU General Court, with most of the technical points still subject to judgement. The Spanish tax authorities, in the course of an audit related to years 2002 to 2005, challenged this amortisation. The disputed claim has been referred to the Supreme Court in Spain where the Group remains confident that the claim will be upheld, taking into consideration the change in the criterion applied by the Spanish tax administration in the audit regarding to CIT of year 2006, which explicitly declared the technical application of the amortisation of goodwill for the Group, previously challenged. The total value of the net tax relief claimed up to 31 December 2016 is £67.0 million (2015: £51.8 million). The Directors have assessed the likelihood of the tax audit leading to any adjustment as low.

27 Related party transactions**Joint venture undertakings**

Certain Group subsidiary undertakings hold contracts to design, build and in certain instances maintain and supply other services in relation to PFI projects for the joint ventures. The Group also receives interest income on loans to joint ventures. The Group had the following trading balances with the joint ventures at 31 December 2016:

	2016 £'000	2015 £'000	2016 £'000	2015 £'000
			Interest receivable on loans with joint ventures	
			Revenue	
ALC (FMC) Limited	538	695	-	-
Amey Birmingham Highways Limited	74,297	59,711	2,491	1,303
Amey FMP Belfast Strategic Partnership Hold Co Limited	-	-	21	19
Amey FMP Belfast Strategic Partnership SP Co Limited	266	263	-	-
Amey Hallam Highways Limited	139,102	124,076	272	-
Amey Ventures Investments Limited	30,655	26,654	445	465
Amey-Webber LLC	-	484	-	-
AmeyCespa (AWRP) SPV Limited	91,075	72,284	-	-
AmeyCespa (MK) SPV Limited	9,227	54,307	233	-
CarillionAmey Limited	4,800	3,013	-	-
CarillionAmey (Housing Prime) Limited	1,188	3,099	-	-
GEO Amey PECS Limited	622	607	89	26
Integrated Bradford Hold Co Two Limited	-	-	43	45
Integrated Bradford SPV Two Limited	4,696	4,575	-	-
Integrated Bradford LEP Limited	200	716	-	-
Integrated Bradford PSP Limited	-	-	132	133
Keolis Amey Docklands Limited	-	1,198	-	-
MTCnovo Limited	-	-	413	-
Scot Roads Partnership Project Limited	-	-	15	22
	356,666	351,682	4,154	2,013
			Loan amounts outstanding with joint ventures	
			Net trading balance owed to (by) the Group	
Amey Birmingham Highways Limited	22,853	22,853	18,483	25,832
Amey FMP Belfast Strategic Partnership Hold Co Limited	100	100	-	-
Amey FMP Belfast Strategic Partnership SP Co Limited	-	-	87	66
Amey Hallam Highways Limited	16,301	-	323	24
Amey Ventures Investments Limited	3,891	3,973	4,406	2,463
AmeyCespa (AWRP) SPV Limited	-	-	-	3,816
AmeyCespa (MK) SPV Holding Co Limited	5,581	-	-	-
CarillionAmey Limited	-	-	297	149
CarillionAmey (Housing Prime) Limited	-	-	16	9
EduAction (Waltham Forest) Limited	-	-	(727)	(732)
GEO Amey PECS Limited	3,500	8,500	227	75
Integrated Bradford Hold Co Two Limited	368	379	-	-
Integrated Bradford SPV Two Limited	-	-	477	740
Integrated Bradford LEP Limited	-	-	66	66
Integrated Bradford PSP Limited	1,065	1,095	-	-
Keolis Amey Docklands Limited	-	1,500	506	484
MTCnovo Limited	10,000	10,000	861	2,290
Scot Roads Partnership Holdings Limited	2,613	-	-	-
Scot Roads Partnership Project Limited	-	-	15	-
	66,272	48,400	25,037	35,282

27 Related party transactions (continued)**Ferrovial, S.A. and its subsidiary undertakings**

	2016 £'000	2015 £'000
Income statement		
Net operating expenses	(22,900)	(20,358)
Net finance income	243	9
Net finance cost – Landmille Limited	(21,228)	(19,218)
Net finance cost – Ferrovial Servicios, S.A.	(80)	(255)
Net finance cost – Other Ferrovial, S.A. companies	(666)	(988)
	(44,631)	(40,810)
Balance sheet		
Trade and other receivables		
Non-current assets	9,111	2,467
Current assets – other trade receivables	4,510	3,283
Trade and other payables		
Current liabilities – Ferrovial, S.A. group loans	(555)	-
Current liabilities – other trade payables	(1,182)	(2,280)
Non-current liabilities – Ferrovial, S.A. group loans	(575,543)	(439,469)
Net liabilities	(563,659)	(435,999)

The Group has been charged operating expenses and net finance costs by Ferrovial Servicios, S.A., a fellow group undertaking, which are disclosed above. The Group has also been charged finance costs by Landmille Limited, a subsidiary undertaking of Ferrovial, S.A. Unless stated otherwise, balances are with Ferrovial Servicios, S.A. and all balances above are as included in the Group balance sheet. Additionally, the Group received £0.4 million (2015: £0.8 million) from Ferrovial Servicios, S.A. in respect of tax losses.

In 2016, the Group recorded a foreign exchange loss of £5.5 million (2015: £3.1 million gain) on its borrowings from, and a foreign exchange gain of £0.5 million (2015: £0.1 million loss) on its deposits with, Ferrovial, S.A. subsidiary undertakings.

Non-current assets represent deposits with Ferrovial Servicios, S.A., which receive interest at a market rate of 0.15% (2015: 0.48%) and a long-term loan to Cespa Ventures Limited, a fellow Ferrovial, S.A. group undertaking, which receives interest at a fixed rate of 12.5% (2015: nil%).

Included within the non-current liabilities – Ferrovial, S.A. group loans is an amount due to Landmille Limited of £377.5 million (2015: £377.5 million) which is designated in sterling and which bears interest at LIBOR plus 4.2% (2015: 4.2%). A further amount due to Landmille Limited of £39.5 million (2015: £34.1 million) is designated in euros and is charged interest at the rate of six-month EURIBOR plus 3.5% (2015: six-month EURIBOR plus 3.5%).

In 2016, Landmille Limited provided an additional sterling credit facility of £70.0 million to the Group, which was £50.0 million utilised at the end of the year. This facility bears interest at one-month LIBOR plus 2.47% to 3.47%, depending on the level of drawdown. Also in 2016, Landmille Limited provided a further sterling credit facility of £80.0 million to the Group, which was fully drawn down at the end of the year. This facility bears interest at three-month LIBOR plus 1.91.

The amounts due to Landmille Limited shown above have been subordinated in favour of the unsecured bank loans with recourse to the Group balance sheet.

Also included within non-current liabilities are other Ferrovial, S.A. group loans of £28.5 million (2015: £27.9 million) due to Cespa UK Limited, a fellow Ferrovial, S.A. group undertaking, which is designated in sterling and bears interest at market rate (2015: market rate).

28 Share-based payments

The Group participates in the Ferrovial, S.A. group (the parent undertaking) performance-based share award plan. Full details on this plan may be found in the financial statements of Ferrovial, S.A. for the year ended 31 December 2016.

The share-based staff costs recharged by Ferrovial, S.A. in relation to this plan during the year and recognised in the Group's income statement amounted to £0.3 million (2015: £1.1 million).

29 Dividend

	2016	2015
	£'000	£'000
Interim dividend paid, representing <i>Enil</i> per ordinary share (2015: £5.4395 per ordinary share)	-	20,000
	-	20,000

30 Ultimate parent undertaking and controlling party

The ultimate parent company and controlling party is Ferrovial, S.A., a company incorporated in Spain. Copies of the group financial statements of Ferrovial, S.A. can be obtained from:

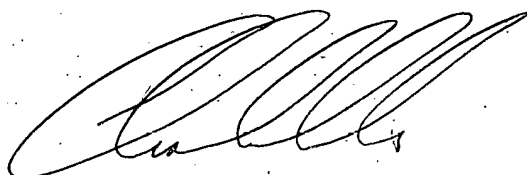
Ferrovial, S.A.
Príncipe de Vergara, 135
28002 Madrid
Spain

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

Company balance sheet as at 31 December 2016

Company number 04736639	Note	2016 £'000	2015 £'000
Fixed assets			
Investment in subsidiary undertakings	33	297,867	297,867
Current assets			
Trade and other receivables	34	21,879	15,008
Cash and cash equivalents		52	60
Total current assets		21,931	15,068
Creditors – amounts falling due within one year	35	(349)	(270)
Net current assets		21,582	14,798
Total assets less current liabilities		319,449	312,665
Provisions for liabilities	36	(25,350)	(29,871)
Net assets		294,099	282,794
Equity			
Share capital	37	3,677	3,677
Share premium account		153,134	153,134
Other reserve		61,887	61,887
Retained earnings		75,401	64,096
Equity shareholders' funds		294,099	282,794

The notes on pages 65 to 68 form part of these Company financial statements. The financial statements on pages 63 to 68 were approved and authorised for issue by the Board of Directors on 28 April 2017 and signed on its behalf by:



Andy Milner
Director
28 April 2017

Company statement of changes in equity for the year ended 31 December 2016

	Share capital £'000	Share premium account £'000	Other reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2015	3,677	153,134	61,887	84,650	303,348
Loss after tax for the year	-	-	-	(554)	(554)
Dividends paid (note 29)	-	-	-	(20,000)	(20,000)
At 31 December 2015	3,677	153,134	61,887	64,096	282,794
Profit after tax for the year	-	-	-	11,305	11,305
At 31 December 2016	3,677	153,134	61,887	75,401	294,099

The Company is not publishing a separate income statement, as permitted by Section 408 of the Companies Act 2006. The profit for the financial year of the parent undertaking dealt with in the Group financial statements was £11.3 million (2015: £0.6 million loss).

The Other reserve relates to a capital contribution made by Ferrovial Servicios, S.A., a fellow group undertaking, in 2003.

The notes on pages 65 to 68 form part of these Group financial statements.

Notes forming part of the Company financial statements for the year ended 31 December 2016

31 Accounting policies

Basis of preparation

The financial statements of the Company have been prepared on a going concern basis and in accordance with FRS 101, the historical cost convention and the Companies Act 2006. The principal accounting policies set out below have been applied consistently.

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 respect of:
 - paragraph 79(a)(iv) of IAS 1
- 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
- The requirements of IAS 24: disclosure of related party transactions entered into between two or more members of a group.

Investment in subsidiary undertakings

Investments 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 such investment.

Deferred tax

Deferred tax is recognised on all temporary 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. However, the deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss. Deferred tax assets are recognised when it is more likely than not that they will be recovered in the foreseeable future. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Foreign currency

Transactions entered into by the Company in a currency other than the currency of the primary economic environment in which it operates (its 'functional currency') are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the profit and loss account.

32 Directors

Details of the remuneration of the Company's Directors and of the highest paid Director are outlined in note 6 of the Group's financial statements. The Directors are not remunerated by the Company.

33 Investment in subsidiary undertakings

	Cost of shares £'000
At 1 January 2015, at 31 December 2015 and at 31 December 2016	297,867

The subsidiary undertakings of the Company are disclosed in note 24 of the Group financial statements. Except for Amey Holdings Limited, all subsidiary undertakings are held through other subsidiary undertakings. Their activities are described in the Report of the Directors and in the Strategic Report.

34 Trade and other receivables

	2016 £'000	2015 £'000
Amounts falling due within one year		
Tax debtor	6,063	453
Other debtors	-	72
Prepayments	409	606
	6,472	1,131
Amounts falling due after more than one year		
Amounts due from subsidiary undertakings	12,110	11,410
Amounts due from Ferrovial Servicios, S.A.	3,297	2,467
	15,407	13,877
	21,879	15,008

35 Creditors – amounts falling due within one year

	2016 £'000	2015 £'000
Other creditors	9	12
Accruals	340	258
	349	270

36 Provisions for liabilities

	2016	2015
	£'000	£'000
Deferred tax		
At 1 January	29,871	25,606
Deferred tax (credited) charged to the income statement	(4,521)	4,265
At 31 December	25,350	29,871

The deferred tax liability arises in respect of accelerated tax relief of £25.4 million (2015: £29.9 million). Deferred tax has been measured in full using the liability method using an expected tax rate of 25% (2015: 25%), being the rate substantively enacted in Spain at the balance sheet date.

37 Share capital

	2016	2016	2015	2015
	Number	£'000	Number	£'000
Ordinary shares of £1 each				
Authorised				
At 1 January 2015, 31 December 2015 and at 31 December 2016	4,000,000	4,000	4,000,000	4,000
Allotted, called up and fully paid				
At 1 January 2015, 31 December 2015 and at 31 December 2016	3,676,768	3,677	3,676,768	3,677

38 Financial and capital commitments

The Company had no financial or capital commitments at 31 December 2016 or 31 December 2015.

39 Contingent liabilities

The Company has provided guarantees to joint venture undertakings totalling £1,017million (2015: £1,115 million), of which the most relevant are those provided to the UK Ministries of Defence and Justice for both current and future service provision. A portion of the risk associated with guarantees has been mitigated through third party liability or construction defect insurance policies. The Directors consider the likelihood of a claim arising under these performance bonds or borrowings to be remote.

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

The Company claims tax relief in Spain for the amortisation of goodwill arising on the acquisition of UK subsidiaries, as permitted under Spanish law. This law was subject to a challenge by the European Commission on competition grounds in respect of acquisitions after December 2007 (not affecting the Company's goodwill), with their first and second decisions issued in October 2009 and January 2011. In October 2014, the EU Commission issued a new Decision (the third Decision) challenging the amortisation of goodwill that arises from indirect acquisitions, also on competition grounds, affecting any time acquisitions. The Kingdom of Spain, Ferrovial, S.A., Ferrovial Servicios, S.A. and the Company (and other Spanish groups) have brought an appeal in 2015 against the third Commission decision before the EU General Court of Justice that is still pending. In November 2014, the EU General Court of Justice held in favour of Spain on the first and second decisions (the third decision was not part of this appeal, but subject to a separate stayed appeal). In December 2016, following an appeal by the European Commission on a limited point of law, the November 2014 ruling was annulled by the superior EC Court of Justice and the case referred back to the EU General Court, with most of the technical points still subject to judgement. The Spanish tax authorities, in the course of an audit related to years 2002 to 2005, challenged this amortisation. The disputed claim has been referred to the Supreme Court in Spain where the Company remains confident that the claim will be upheld, taking into consideration the change in the criterion applied by the Spanish tax administration in the audit regarding to CIT of year 2006, which explicitly declared the technical application of the amortisation of goodwill for the Company, previously challenged. The total value of the net tax relief claimed up to 31 December 2016 is £67.0 million (2015: £51.8 million). The Directors have assessed the likelihood of the tax audit leading to any adjustment as low.

40 Controlling parties

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

The Company is the ultimate holding company in the UK and is registered in England and Wales. It is the parent of the smallest group for which consolidated financial statements are prepared and of which the Company is a member. Copies of the Amey UK plc consolidated financial statements can be obtained from:

The Company Secretary
Amey UK plc
The Sherard Building
Edmund Halley Road
Oxford, OX4 4DQ
United Kingdom