

Company registration number: 05779755

Ferrovial Construction (UK) Limited

Annual report and financial statements
For the year ended 31 December 2021



Ferrovial Construction (UK) Limited

Annual report and financial statements for the year ended 31 December 2021

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Ferrovial Construction (UK) Limited

Annual report and financial statements for the year ended 31 December 2021

Officers and professional advisers

Directors:

Maria del Sol Toribio Garcia
Mario Manuel Menendez Montoya
Karl Goose
Mario Mostoles Nieto (Resigned on 14 February 2020)

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Company registration number:

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Auditor:

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Ferrovial Construction (UK) Limited

Strategic report (Continued)

Principal activity

Ferrovial Construction (UK) Limited ('the Company') formerly known as Ferrovial Agroman (UK) Limited is a private limited company limited by shares, which is a wholly owned subsidiary of Ferrovial Construction Holdings Limited, formerly known as Ferrovial Agroman Limited. It is part of the group headed by Ferrovial S.A., a company listed on the Spanish Stock Exchange.

The principal activity of the Company is the design and construction of infrastructure for public and private clients in the United Kingdom and Ireland, including aviation, highways, rail, and water.

Business review

The results for the year are shown on page 15 in the Statement of comprehensive income.

Revenue has increased to £456m (2020: £381m). This is largely due to the progress of existing projects and the work started on a new contract, High Speed 2 Main Works Civil Contract (MWCC) in April 2020.

Operating profit have increased to £6m (2020: £1m), and the total comprehensive income has also increased from £3m in 2020 to £11m in 2021. The reason for this change is due to both the better performance of the current projects and the Income Tax increase based on the future pipeline and profits.

The net cash balance has increased to £195m (2020: £158m). This was due to Silvertown Tunnel and MWCC contracts.

At year-end, the Company's order book had decreased to £1,001m (2020: £1,115m). This variation is due both to the award of a new contract Norwich (+£107m), target increase of the current contracts less work carried out during 2021

Business outlook

The Company's financial goals for 2022 and beyond continue to be: grow their order book and net cash balance; increase revenue; and improve operating margin. The Company continues to actively track and pursue a range of contracts in line with its corporate strategy.

Key performance indicators

In order to drive high performance and to mitigate the risks and uncertainties that the Company (and the wider construction sector) faces, the Company monitors actual performance against forecast performance across a range of indicators.

The directors consider that the following financial and non-financial key performance indicators are the most effective measures for monitoring its objectives.

Financial key performance indicators

Operating Margin: The margin in 2021 was a profit of 1.2% (2020: profit margin of 0.3%). As discussed above, the enhancement is mainly due to better margining profit in tunnelling project and final completion achieve in one of the rail project.

Revenue: The total revenue reflects the volume of business being generated by the Company, i.e. the number and size of contracts currently being fulfilled. It is therefore a key metric in measuring the growth of the business. However, while the Company is looking to increase revenue, it aims to be selective in the projects it undertakes so that any growth is also profitable. The total revenue for the Company increased during the year to £456m (2020: £381m). This was in line with forecasts, and as a result of the better project's performance along with the new project, MWCC awarded in 2020.

Net cash balance: Generating positive cash flows and optimising cash reserves provide resources with which the Company can pursue new opportunities and ensures that the Company's financial position is sufficiently robust. The Company's cash balance increased to £194m in 2021 (2020: £158m) as a result of the award of specific rail and ongoing works on water projects.

Order Book: The order book of the Company at any time indicates the level of future activity secured. The Company's aim is to grow its secured order book every year. This goal wasn't achieved in 2021 as the order book decreased to £1,001m (2020: £1,115m), although a new contract was awarded in 2021 (Norwich Western Link).

Ferrovial Construction (UK) Limited

Strategic report (Continued)

Non-financial key performance indicators

Accident Frequency Rate (AFR): The most common way of measuring health and safety performance in the construction sector is the lagging indicator AFR, which measures the number of reportable incidents (RIDDOR) per 100,000 hours worked. The Company includes all incidents occurring in their joint operations as well as their joint operation's subcontractors in their data.

The Company's AFR at 31 December 2021 was 0.04 (2020: 0.06) based on a total of 15109439 (2020: 10,805,617) hours worked. A number of proactive measures have been instigated since 2018. Among these was the directors' commitment to incorporate health, safety and wellbeing as a non-negotiable value across all projects, placing health and safety at the centre of all decision making. The past year has been extremely challenging from a health, safety and wellbeing view point due to the ongoing Covid pandemic and our focus has rightly been on assisting employees to maintain good mental health and to improve their overall resilience by the provision of additional health webinars and our leadership and management teams maintaining personal contact with all

A few projects have received client recognition for their health and safety performance during 2019, and the Company was awarded an International Safety Award (Merit) from the British Safety Council for demonstrating a strong commitment to good health and safety management.

Employee turnover: Employee turnover: Experienced and qualified staff improve the quality of the service delivered to our customers. Being able to retain experienced and qualified staff is therefore a core objective for the Company. The Company measures this objective by calculating the number of unplanned leavers as a percentage of the total number of employees. 2021 started in a similar vein to 2020 regarding political uncertainty over the UK's exiting from the European Union (EU), and the Covid pandemic. During 2020 working from home became significantly more prevalent and as the country has moved to "working with covid as the norm" we have seen more people looking to work from home, either full time or for a number of days during the week. With a significant number of people employed on project sites it is not feasible to be able to accommodate this trend for everyone and we have seen people move into roles such as consultancy with greater opportunity to work from home. As a consequence we have seen an increase in our turnover increase to 14.8% compared to last year 2020 (10%).

Principal risks and uncertainties

In common with the rest of the Ferrovial Group, the Company faces a combination of strategic, operational, financial and compliance risks. A more comprehensive review of the risks faced by the Ferrovial Group is contained in the annual report of the ultimate parent company, Ferrovial S.A.

The Ferrovial Group identifies and evaluates appropriate control measures to mitigate the likelihood of the occurrence of these risks and/or their potential impact, implementing the measures proactively in accordance with the strategic objectives it has set out. In addition, the effective and efficient management of certain risks allows the Group to detect new business opportunities.

The main risks specifically facing the Company and the mitigation measures it has taken to address them are as follows.

External risks

COVID

The World Health Organisation declared COVID-19 a global pandemic in March 2020. A global pandemic which has had an unprecedented impact and led to measures being taken by governments across the world such as declaring a state of emergency, closing borders to international travellers and restricting the movement of their own citizens. Consequently, economic growth has stalled, and the recovery outlook is uncertain.

Throughout the COVID-19 situation, Ferrovial is undertaking all necessary measures to safeguard the health and safety of its employees and clients as its main priority. Ferrovial is focused on protecting its liquidity and financial position to face the current macroeconomic situation.

Construction industry risk

The Company's business is affected by the general risks associated with the construction industry in the UK including general economic and political changes, such as taxation, and governmental policy and legislation.

Ferrovial Construction (UK) Limited

Strategic report (Continued)

External risks (Continued)

In the construction industry, companies are required to compete to win new contracts, which are determined through a process of competitive tendering or bilateral negotiation. Failing to compete effectively in the market could reduce the Company's future sustainability and profitability.

The Company's success also relies on attracting, developing and retaining a highly skilled and motivated workforce. Failing to achieve this could have an adverse effect on the Company's objectives.

Brexit

Following tough negotiations, the EU and the United Kingdom have reached a trade agreement. The most significant consequence is the removal of tariffs on trade in goods between both parties. This avoids the impact of a hard Brexit and thus assures an orderly exit from the EU. At 31 December 2021, the pound sterling had appreciated 4% year-on-year. However, there are still certain mitigation measures in place in relation to this Brexit risk. For example, all the existing employees from non-UK countries have provided either settlement status or VISAS. Additionally, the Company's existing pipeline guarantees £1,001m of future work; and the majority of the Company's contracts are target cost where any additional costs arising from foreign exchange are likely to be shared with the client. Furthermore, significant purchases in foreign currencies will continue to be hedged through foreign exchange forwards.

Internal risks

Like most companies in the construction industry, the main internal risk for the Company is pricing, which is the risk of forecasting/costing long-term contracts. Usually, contracts are based on cost estimates that are subject to many assumptions. The Company has multiple controls in place to mitigate pricing risk, including benchmarking forecast costs against actual costs incurred in similar projects. However, if the Company fails to estimate the overall risk accurately, revenue or costs for a contract could substantially differ from expectations. As a result, a lower than expected profit may be achieved or a loss may be incurred on such a contract.

The construction sector is also highly schedule driven. Many contracts are subject to specific completion schedule requirements with liquidated damages charged in the event of construction schedules not being achieved. The Company mitigates this risk by only taking on projects where the directors believe that its employees' technical expertise will generate value engineering opportunities to save time and minimise risk in the construction methodology.

Additionally, by tendering for projects that are to be delivered under different types of contract (such as lump sum or target cost) as well as working in a diverse range of sectors with a variety of clients (as described in the Principal activity section of the Strategic report), the Company blends its risk profile. In turn, this provides some degree of pricing and schedule risk mitigation.

The Company also faces financial risks. These risks are discussed in note 28 (Financial risk management).

Energy and carbon information

Climate change is a key element in the Company's governance, which incorporates both the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), as well as climate risks within the corporate risk identification and assessment system, Ferrovial Risk Management. Ferrovial's Climate Strategy included in our 2030 Sustainability Strategy and Ferrovial's Integrated Annual Report, aligns with the Science Based Targets Initiative (SBTi) and outlines global targets to reduce the carbon emissions associated with our production processes and our supply chain by 2030.

In common with the rest of the Ferrovial Group, the company prioritises activities with lower environmental impact; establishing targets to promote the circular economy, procure lower carbon products and services, reduce our carbon, energy, and water footprint during works, promote the use of renewable energy, and preserve and enhance natural capital. These considerations are outlined through Ferrovial Construction UK & Ireland Sustainability Policy, and the Ferrovial Construction Carbon and Energy Policy. Ferrovial is certified to PAS2080:2016 standard and ISO 50001:2018, both of which support our business to continuously improve our carbon reduction and energy efficiency performance and drive opportunities for greater improvements.

No disclosure is required since the Company has measured its 2021 annual UK energy use (in kWh) under the 40,000 kWh threshold, in accordance with the regulation 2018, 7Sch 20D(7) SI 2018/1155 (Accounts and Audit) (Application of Companies Act 2006).

Ferrovial Construction (UK) Limited

Strategic report (Continued)

Employee engagement

We are only as strong as our people and Ferrovial employees are among the most knowledgeable professionals in the industry. We want to continue to attract the best people and, by investing in them, ensure we are playing our part in improving the future of the industry and creating a more inclusive culture. A combination of talent and dedication from the Company's employees is fundamental to the success of the Company's business. Operational excellence and innovation, as pillars of the Company's strategy, would not be possible without a team that is characterised by their professionalism and commitment to these goals.

Thus, the Company's strategic priorities include promoting the professional development of all people making up the Company, together with providing employees with opportunities to work internationally through global mobility. This provides a framework capable of guaranteeing equal opportunities based on merit. This applies to appropriate training, career development and promotion for all employees, regardless of physical ability, gender, sexual orientation, religion, age or ethnic origin or any other unfair discriminatory reason. The services of any existing employee disabled during their period of employment are retained wherever possible.

The human resources policies are a key element within the Company's commitments in the area of corporate responsibility. Human resources' activities are orientated to guaranteeing sustained growth of the organisation and developing the potential of its employees with the aim of increasing the Company's competitive level in the market.

The number of hours invested in training employees is recorded and monitored annually. This includes half-yearly briefings for the entire Company where employees are updated on developments within the business and the Company's financial performance.

Employee performance is measured through an annual performance review, with personal goals linked to those of the Company as a whole. Bonuses are paid annually and linked to achievement of both the individual's and Company's goals.

Employee satisfaction is tracked and managed through a biennial staff satisfaction survey.

Health and safety

The Company's Behavioural Safety Programme (LIFE) lies at the heart of the business and enhances that of our corporate 'Always Safe Always Ready' strategy. It is a holistic approach to implementing health, safety & well-being practices throughout our business – not only at work, but also at home. It empowers employees and promotes leadership at all levels of our organisation.

Safety is a key factor in achieving operational excellence. The Company works tirelessly every day to create environments that are risk free for everyone, including users of infrastructure and services. There are two principles that govern the actions in this area: the aspirational target of zero accidents and that any accident can be avoided. To this end the Company, and the Ferrovial Group as a whole, has established a number of safety requirements for all its projects. Whilst the Accident Frequency Rate (AFR) is the most common way of measuring safety performance in the construction sector, however this lagging indicator provides a very narrow perspective on safety performance and therefore we put greater emphasis on leading indicators such as employee training, employee engagements and employee observations. See Non-financial key performance indicators section above for details of the Company's AFR for the current year.

To ensure all employees have access to any of the services they need to maintain a healthy mental outlook, the Company has implemented a number of measures to give employees the resources and support they need across our business, including: the Employee Assistance Programme; the Mental Health First Aid Programme; and a number of events including health specific webinars throughout the year to promote well-being.

Innovation

Innovation is one of the Company's corporate values and a key enabler to meet challenges in society and the needs of customers. It is core to the Company's commitment to operational efficiency and its search for competitive, differentiating solutions.

The Company, and the Ferrovial Group as a whole, is at the cutting edge in applying the most advanced techniques in the construction sector in order to enhance productivity and quality at work sites, as well as to improve personal health and safety, and reduce environmental impact.

Ferrovial Construction (UK) Limited

Strategic report (Continued)

In 2021 the Company was able to claim Research and Development tax credits of £0.6m from HMRC (2020: £0.6m) in relation to expenditure in 2020 on innovative practices that have advanced knowledge and capability in the construction sector.

Section 172(1) statement

As required by section 172(1) of the Companies Act 2006, the directors of the Company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

1. the likely consequences of any decision in the long term;
2. the interests of the company's employees;
3. the need to foster the company's business relationships with suppliers, customers and others;
4. the impact of the company's operations on the community and the environment;
5. the desirability of the company maintaining a reputation for high standards of business conduct; and
6. the need to act fairly between members of the company.

The directors believe the following issues are relevant in complying with section 172(1) of the Companies Act 2006.

The Company is a subsidiary of the Ferrovial Group, which is listed on the Spanish stock exchange. As a subsidiary of a listed entity it operates under the umbrella of the values and corporate governance required by the Ferrovial Group.

1. The likely consequences of any decision in the long term

The Company's goals are described in the Business outlook section of the Strategic report. Due to the long-term nature of the type of contracts that the Company is interested in, there is no significant variance between the Company's short and long-term targets.

Both the Company, and the Ferrovial Group as a whole, have a long-term commitment to the UK. The Company has been operating in the UK since 2006, and in the Ferrovial Group's recently announced 5-year plan, the United Kingdom was included as one of the Tier 1 markets for the Ferrovial Group.

2. The interests of the company's employees

Refer to Employee engagement section in the Strategic report for a description of how the directors engage with the Company's employees and have regard for their interests.

The Company is fully committed to ensuring diversity and inclusion are part of its culture and has signed up to the EW Group's Inclusive Culture pledge.

The Company's commitment to the health and safety and general well-being of its employees is discussed further in the Health and safety and Non-financial key performance indicators sections of the Strategic report.

3. The need to foster the company's business relationships with suppliers, customers and others

Fostering positive long-term relationships with its clients, suppliers, joint operation partners and other stakeholders in its projects has been key to the Company's success in the UK, and the Company recognises the need to continue to develop and maintain such relationships. The Ferrovial Group's recent announcement that the Company should be seen as a leading local contractor in the UK market underlines this.

Additionally, the Company requires that its supply chain is aligned with the Company's code of business ethics and corporate responsibility policies, which cover areas such as employee welfare as well as quality, health and safety and the environment.

4. The impact of the company's operations on the community and the environment

As an active member of the construction and engineering industry, the Company embraces its responsibility to be active in the resolution of the most pressing social issues in the environments in which it operates. The Company works hard to ensure it is able to leave behind a worthwhile and meaningful legacy by recruiting local people and collaborating with organisations targeting those societal groups most in need of support everywhere it goes.

Ferrovial Construction (UK) Limited

Strategic report (Continued)

Section 172(1) statement (Continued)

The impact of the company's operations on the community and the environment (Continued)

In line with the Company's focus on access to employment, employability, school engagement and community engagement activities, it delivers on a number of commitments throughout the year. These commitments include: a work experience programme for local school children or people looking to get back into the work place; a STEM Ambassador network; an employer supported volunteering programme; and robust contributions to important causes in the construction industry and local communities such as International Women in Engineering Day and working with local schools, colleges and prisons.

Sustainability is a key aspect in the Company's activities. It is the reason why it is committed to reducing the environmental impact of its actions, prioritizing the security of persons, contributing to a sustainable development of society, and using innovation as a fundamental instrument for productivity and competitiveness. A number of the Company's projects have been awarded Green Apple prizes in recognition of their environmental innovations.

5. The desirability of the company maintaining a reputation for high standards of business conduct

As discussed above, both the Company and the Ferrovial Group have a long-term commitment to the UK.

The bidding process for the types of contracts in which the Company specialises is so rigorous and wide-ranging that it is critical that the Company maintains the highest standards of business conduct in order to win further work. Additionally, without this commitment to the highest standards of business conduct, it would not be possible to build lasting relationships with our supply chain and joint operation partners.

6. The need to act fairly as between members of the company

The Company only has one shareholder, Ferrovial Construction Limited.

Engagement with stakeholders

At a high-level, the Company engages with its stakeholders as part of the broader communications strategy of the Ferrovial Group.


At a more local level, the Company's Directors, and employees at all levels of the business, are in constant communication with their counterparts from clients, suppliers and joint operation partners. Key issues are escalated to the Company's Board of Directors.

The Company's joint operations usually employ a community relations professional (or professionals) to engage with the local community in the locations where projects are being delivered. In this way, the Directors are kept up-to-date with the issues impacting the communities in which the Company's projects are located, and the communities can be updated and involved in the project developments and the benefits that the developments will bring.

Effect of the Company's decisions and strategies during the financial year

The impact and effects of the Director's decisions are described in the Strategic Report, in particular the Business Review section.

Approved by the Board of Directors and signed on behalf of the board.

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Karl Goose
Managing Director UK & Ireland
07 March 2022

Ferrovial Construction (UK) Limited

Directors' report

The directors present the annual report together with the audited financial statements of Ferrovial Construction (UK) Limited for the year ended 31 December 2021.

Results and dividends

Details of the Company's results are shown in the Statement of comprehensive income on page 15.

The Company's total comprehensive profit for the year was £11m (2020: £3m).

No dividend was paid in 2021 (2020: £nil). No dividends are proposed at the date of these financial statements.

Share capital and share premium

No equity investment received from its parent during 2021 (2020: £ nil)

See notes 24 (Share capital) and 25 (Share premium) for further information.

Financial risks

As stated in the Strategic report, the Company faces the standard range of financial risks typical of similar companies. These risks are discussed in note 28 (Financial risk management).

Events after the reporting period

Details of any significant events since the balance sheet date are contained in note 30 (Events after the reporting period) to the financial statements.

Future developments

An indication of likely future developments in the business of the Company are included in the Business review and Business outlook sections of the Strategic report.

Business relationships

See Section 172(1) statement in Strategic report for a description of how the directors have managed the Company's relationships with their suppliers, customers and other stakeholders.

Directors

The names of the persons who were directors at any time during the year and up to the date of signing the financial statements are listed on the Officers and professional advisers page on section 1.

Directors' interests

None of the directors in office at 31 December 2021 or 31 December 2020, or their spouses and children had any interests in the share capital of the Company at any time during these periods.

Employee engagement

See Employee engagement and Health and safety sections of the Strategic report for further details of: the Company's employment policies; how the directors engage with the Company's employees; and how the Company has regard for its employees' interests.

Research and development activities

Details of research and development activities are included in the Innovation section of the Strategic report.

Political contributions

The Company has not made any political donations during the year.

Ferrovial Construction (UK) Limited

Directors' report (continued)

Adoption of the going concern basis

Based on the information available to them, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence until March 2023. For this reason, the directors consider it is appropriate to adopt the going concern basis in preparing the financial statements.

Refer to note 3 (Significant accounting policies) for further detail of the assessment made by the directors.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the directors are aware there is no relevant audit information of which the Company's independent auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's independent auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Appointment of auditor

In light of requirements of the corporate governance code requirements of entities listed on the Spanish Stock Exchange, Ferrovial S.A., the ultimate parent company, undertook a competitive tender for external audit services of the Ferrovial Group. The result was that EY were selected as the auditor for the year ended 31 December 2021.

Approved by the Board of Directors, and signed on behalf of the board

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Managing Director UK & Ireland

07 March 2022

Ferrovial Construction (UK) Limited

Directors' responsibilities statement

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditor's report to the members of Ferrovia Construction (UK) Limited

Opinion

We have audited the financial statements of Ferrovia Construction UK Limited for the year ended 31 December 2021 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least 12 months from the date of the approval of financial statements (until March 2023).

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report to the members of Ferrovia Construction (UK) Limited

Opinions on other matters prescribed by the Companies Act 2006

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

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Independent auditor's report to the members of Ferrovia Construction (UK) Limited

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are Companies Act 2006, Bribery Act 2010, Construction Act 2009, Minimum Wage regulations and Money Laundering regulations and those that relate to the reporting framework, namely FRS 101 and compliance with the Company's principal accounting policies.
- We understood how the company is complying with those frameworks by making inquiries of management and those charged with governance. We corroborated our inquiries through inspection of Board meeting minutes. We considered the results from our other audit tests to identify any instances of non-compliance.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management within various part of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage contract results.

Where the risk was considered to be higher, we performed the following procedures to respond to the above potential risk of fraud:

- Inspecting physical progress on for individual progress on for individual projects and identifying areas of complexity through discussion with site personnel. This was performed remotely.
- Assessed and challenged significant and complex contract positions and the accounting thereon under the percentage of completion methodology.
- We focused on the significant judgements adopted by management, we assessed the forecast costs to complete, compensation events, variations within contract revenue and contract costs, and the completeness and validity of loss provisions arising from customer disputes. This assessment included:
 - Agreeing contract valuation positions to third party certificates and signed variations;
 - Reviewing contract terms and conditions;
 - Re-performing the key calculations behind the margin applied, the profit taken and stage of completion, as well as balance sheet exposure;
 - Reviewing correspondence with customers;
 - Reviewing actual costs incurred;
 - Analysing forecast costs to complete and challenging estimates within forecasts by considering costs forecasts against contract run rates;
 - Agreeing forecast costs to complete to documentary evidence including orders signed with subcontractors and supporting calculations; and
 - Evaluating performance against tender and historical trends.

These procedures also included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.

- Assessed the completeness and validity of allowances recorded based upon the liabilities that may arise from disputes with customers or rectification works required. We did this through interviewing and challenging contract managers, commercial directors and a review of correspondence with customers and in-house legal director.
- Considered management provisions across all contracts.
- Assessed the impact of the Covid-19 pandemic on individual contracts in relation to programme delivery and supply chain, as well as customers in relation to the recoverability of work in progress.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations that could give rise to material fraud or error in the financial statements. Our procedures involved identifying any instances management override of controls, review of board minutes to identify non-compliance with laws and regulations, enquires of management and testing of manual journal entries posted during the year to ensure whether adjustment made by the company was supported by appropriate evidence.

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Independent auditor's report to the members of Ferrovia Construction (UK) Limited

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

*Oxana Dorrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London*

8 March 2022

Ferrovial Construction (UK) Limited
Statement of comprehensive income
For the year ended 31 December 2021

	<i>Notes</i>	2021 £'000	2020 £'000
Revenue	5	456,298	381,382
Subcontractor costs and materials consumed	6	(305,852)	(266,449)
		150,446	114,933
Other income	7	38	564
Personnel expenses	8	(53,770)	(44,034)
Other operating expenses	9	(88,007)	(69,738)
Depreciation	14	(3,083)	(677)
Operating profit		5,624	1,048
Financial income	12	170	373
Financial expenses	12	436	6
Other financial losses	12	(850)	55
Profit before income tax		5,380	1,482
Income tax credit	13	5,470	1,610
Profit for the year		10,849	3,092
Other comprehensive income/(losses), arising on derivative financial instruments, that may be reclassified subsequently to profit or loss		(117)	172
Total comprehensive profit for the year		10,732	3,264

The notes on pages 19 to 41 are an integral part of these financial statements.

Ferrovial Construction (UK) Limited
Company registration number: 05779755
Balance sheet
As at 31 December 2021

	<i>Notes</i>	2021 £'000	2020 £'000
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment		2,017	1,966
Contract assets		4,865	0
Long term deposits		402	99
Right-of-use assets	14	4,974	1,190
Deferred tax assets	13	13,659	7,408
		25,917	10,663
<i>Current assets</i>			
Inventories	15	2,658	2,029
Financial derivatives at fair value	20	4	4
Trade and other receivables	16	75,274	58,750
Income tax receivable		1,252	972
Receivables from related parties	18	413	1,451
Cash and cash equivalents	19	194,598	158,228
		274,199	221,434
Total assets		300,116	232,097
LIABILITIES			
<i>Current liabilities</i>			
Trade and other payables	21	254,117	205,458
Financial derivative liabilities at fair value	20	98	(254)
Provisions	22	4,166	3,250
Lease liabilities	23	2,039	1,160
		260,420	209,614
Net current assets		13,780	11,820
<i>Non-current liabilities</i>			
Financial derivative liabilities at fair value	20	675	-
Provisions	22	16,172	13,200
Lease liabilities	23	2,841	239
		19,688	13,439
Total liabilities		280,108	223,053

Ferrovial Construction (UK) Limited
Company registration number: 05779755
Balance sheet
As at 31 December 2021

Net assets		20,008	9,044
EQUITY			
Share capital	24	58,781	58,781
Share premium	25	22,770	22,770
Accumulated losses		(61,583)	(72,664)
Hedging reserve		40	157
Total equity		20,008	9,044

The notes on pages 19 to 41 are an integral part of these financial statements.

The financial statements of Ferrovial Construction (UK) Limited, registered number 05779755, were approved by the Board of Directors on 07 March 2022.

Signed on behalf of the board of directors

ferrovial
construction

Digital Signature with Serial number:
42 EC C8 76 BD 08 15 F4 03 25

Karl Goose
 cn=Karl Goose, o=Ferrovial Construction,
 ou=Ferrovial Construction Head Office UK &
 Ireland, email=karlgoose@ferrovial.com,
 c=GB
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Karl Goose
 Managing Director UK & Ireland

Ferrovial Construction (UK) Limited

Statement of changes in equity For the year ended 31 December 2021

	<i>Notes</i>	Share capital £'000	Share premium £'000	Accumulated losses £'000	Hedging reserve £'000	Total £'000
Balance at 1 January 2020		58,781	22,770	(75,741)	(15)	5,795
Issue of share capital	24	-	-	-	-	-
Total other comprehensive profit		-	-	3,092	172	3,264
Others		-	-	(16)	-	(16)
Balance at 31 December 2020		58,781	22,770	(72,665)	157	9,044
Issue of share capital	24	-	-	-	-	-
Total other comprehensive profit		-	-	10,849	(117)	10,732
Others		-	-	232	-	232
Balance at 31 December 2020		58,781	22,770	(61,583)	40	20,008

The notes on pages 19 to 41 are an integral part of these financial statements.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

1. General information and basis of preparation

Ferrovial Construction (UK) Limited is a private limited company, limited by shares, incorporated in the United Kingdom under the Companies Act and registered in England and Wales. The address of the registered office is given in the Officers and professional advisers page on page 1. The nature of the company's operations and its principal activity are set out in the Strategic report on pages 2 to 8.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. As a qualifying entity, the Company has taken advantage of the following disclosure exemptions permitted by FRS 101:

- presentation of a cash-flow statement;
- disclosure of related party transactions;
- presentation of new and revised standards adopted in the current year;
- financial instrument disclosures required by IFRS 7;
- financial instruments disclosures required by IFRS 9;
- financial instruments disclosures required by IAS 39;
- fair value disclosures required by IFRS 13;
- share-based payment disclosures required by IFRS 2.
- disaggregation of revenue by IFRS 15.114 and IFRS 15.115, changes in contract asset and liability by IFRS 15.118, performance obligations by IFRS 15.119(a) to (c) and IFRS 15.120 to IFRS 15.127 and practical expedients required by IFRS 15.129;
- lease income from operating leases, including separate disclosure of income from variable lease payments not dependant on an index or a rate by IFRS 16.90 and IFRS 16.91, and qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases by IFRS 16.93.

Where relevant, equivalent disclosures have been given in the group accounts of Ferrovial S.A. The group accounts of Ferrovial S.A. are available to the public and can be obtained as set out in note 29 (Ultimate parent undertaking).

The financial statements have been prepared in accordance with the Companies Act 2006.

The financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates.

2. Adoption of new and revised accounting standards

The same accounting policies have been applied when preparing these annual accounts as were applied to the annual accounts for the financial year ended 31 December 2020, including for the adoption of the amendments to IFRS 9, IAS 39 and IFRS 7 that came into effect on 1 January 2020.

The increase in credit risk due to the economic consequences of the pandemic has caused a sharp widening of credit spreads and of Credit Default Swaps (CDS), as well as deterioration in the credit worthiness of some of the projects and counterparties. This has had a direct impact on the calculation of credit risk adjustments for derivatives. In general, the widening of credit risk has a positive impact on liability derivatives (negative valuation) and a negative effect on asset derivatives (positive valuation).

This credit risk rise could lead to hedge ineffectiveness, although there has been no significant decline in the effectiveness of any of the Ferrovial Group's derivatives in UK according to the tests performed to date.

Impairment of financial assets

The Group applies the IFRS 9 expected credit loss approach to the impairment of receivables. The Group reviews the ratings of customers (or awarding entities in the case of financial assets under IFRIC 12) annually and calculates a

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

percentage reflecting the probability of default and the percentage loss that this would entail. This credit review exercise did not reveal significant losses on any asset.

The purpose of the reform of the benchmark interest rate is to replace the indices used as benchmarks for the average interest rate at which a certain number of financial institutions would grant unsecured interbank funding for different periods and currencies, such as the EURIBOR or the LIBOR.

The amendments brought in by the standard provide a number of exemptions applicable to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty regarding the timing and/or amount of cash flows linked to the interest rate of the hedged item or hedging instrument.

The Group applied in 2020 this amendment retroactively to hedging relationships in force at 1 January 2020 or designated since that date and affected by the interest rate benchmark reform. Management has performed an assessment on this amendment and has determined that the impact is immaterial.

3. Significant accounting policies

The principal accounting policies adopted are set out below. They have all been applied consistently throughout the year and the preceding year, unless otherwise stated.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report and Directors' report on pages 2 to 10.

Acknowledging the guidance 'Audit Firms Enhance Going Concern Assessments' published by the Financial Reporting Council in November 2020, the Directors have reviewed the future prospects of the Company, and believe the following factors are relevant.

- The Company has a healthy order backlog which covers over three years of future business based on levels of revenue earned in 2021. This order backlog is forecast to generate an overall profit margin and positive cashflow.
- There continues to be underlying demand in the UK market in which the Company operates for the type of infrastructure projects in which the Company specialises.
- The Company's cash position is strong enough to withstand any losses that might occur in the medium-term.

Based on the above and having made the appropriate enquiries and reviewed medium-term cash forecasts, the Directors consider the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern until March 2023.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When the Company undertakes its activities under joint operations, the Company as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Company accounts for the assets, liabilities, revenue and expenses relating to its interest in a joint operation in accordance with the IFRS Standards applicable to the particular assets, liabilities, revenue and expenses.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

When the Company entity transacts with a joint operation in which the Company is a joint operator (such as a sale or contribution of assets), the Company is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Company's financial statements only to the extent of other parties' interests in the joint operation.

Transactions denominated in foreign currencies

Transactions in currencies other than the Company's functional currency ('foreign currencies') are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses are presented in the Statement of comprehensive income within 'Other financial losses'.

Revenue recognition – construction contracts

IFRS 15 introduced a five-step approach to revenue recognition. This required the Company to identify the performance obligations within its long-term construction contracts. In general, most of the Company's contracts were assessed to be comprise only one performance obligation because they contained no individually distinct promises to transfer services to the client. However, it was concluded that the 'framework' contracts in which the Company is engaged, where work is performed on an 'as instructed by the client' basis over a set time period, generally included multiple performance obligations.

When the outcome of a construction contract (or individual performance obligation) can be estimated reliably, the Company's preferred method of revenue recognition is the input method "percentage of completion" in which costs are recognised as incurred and revenue is recognised based on the proportion of total costs at the reporting date to the estimated total costs of the contract. This method includes cost reimbursable contracts (including those containing a target cost with pain/ gain mechanism).

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably, and its receipt is considered highly probable.

Where the outcome of a construction contract (or performance obligation) cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred where it is highly probable, they will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract (or performance obligation) costs will exceed total contract revenue, the expected loss is recognised as an expense immediately as a provision for forecast losses.

On the majority of projects applications for payment are made to the client on a monthly basis based on works certified as performed (or costs certified as incurred) by the client plus the contractually agreed fee for those works. Sometimes the monthly certification contains an element of forecast too. The value of these certified works is reconciled to revenue recognised. When contract (or performance obligation) costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as part of Trade and other receivables as Amounts due from customers for construction work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as part of Trade and other payables as Amounts billed in advance for construction work. Amounts received before the related work is performed are also presented as part of Trade and other payables as Advances from clients. Amounts billed for work performed but not yet paid by the customer are included on the balance sheet as Trade receivables.

Revenue recognition- services

Revenue from services arises on management and consulting services provided to other Ferrovial Group companies and joint operations.

Taxation

The tax expense represents the sum of the current tax payable and deferred tax.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

The Company forms part of a tax group relief group with other UK-based Ferrovial Group companies, which allows the profits of one Group company to be offset against the losses of another Group company.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, when the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and the Company intends to settle its current tax on a net basis.

Financial instruments

Financial assets

On initial recognition, financial assets are classified and measured at either: amortised cost; fair value through profit or loss ('FVTPL'); or fair value through other comprehensive income ('FVTOCI'), as appropriate. The classification and measurement depend on the purpose for which the financial assets were acquired. All the financial assets that the Company holds are either classified at amortised cost or, in the case of derivative financial instruments, FVTOCI.

Financial assets that have fixed or determinable payments that are not quoted in an active market are classified and measured at amortised cost. Amortised cost is calculated using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the

Financial instruments (Continued)

Financial assets (Continued)

recognition of interest would be immaterial. The Company's amortised cost financial assets comprise: trade, intercompany and other receivables; and cash and cash equivalents as included on the balance sheet.

Fair value through profit and loss category comprises financial assets that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivative financial assets are also classified as held for trading unless they are designated as hedges.

Except for the derivative financial asset, the fair value of the Company's financial assets is not materially different to their value under the historical cost basis.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

In relation to the impairment of financial assets, the Company uses an expected credit loss ('ECL') model, as required by IFRS 9. The items on the Company's balance sheet that are subject to impairment are trade, intercompany and other receivables. IFRS 9 requires that these items are impaired using the simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables and contract assets.

Financial liabilities

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method, other than those categorised as fair value through profit or loss.

Fair value through profit and loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. Derivative financial liabilities are also classified as held for trading unless they are designated as hedges.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

The fair value of the Company's financial liabilities is not materially different to their value under the historical cost basis.

Derivative financial instruments

The Company enters into a derivative financial instrument to fix the cost of foreign currency transactions in the functional currency of the Company. The derivative financial instruments used for this purpose are classified as cash flow hedges.

Hedge accounting is applied to financial assets and financial liabilities only when the principle of an 'economic relationship' hedge accounting criteria set out in IFRS 9 Financial instruments are met.

The effective part of forward contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from firm commitments are measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in other reserves.

Right-of-use assets

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets (Continued)

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Inventories

Subsequent to initial recognition, the Raw materials included under Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

As well as Raw materials, Inventories include Capitalised costs of obtaining contracts, which are the incremental expenses incurred in obtaining a contract. These are defined as contract assets under IFRS 15. They are assigned to the income statement over the duration of the contract according to the percentage completion of the project.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

To determine whether future economic benefits from contracts are sufficient to recover the contract assets, management has performed an assessment of the costs to complete the contract. In comparing the carrying amount of the asset to the remaining amount of consideration expected to be received less the costs to provide services under the relevant contract, management has determined no impairment is required at 31 December 2019.

Leases

IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (worth less than £5,000), the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other operating expenses' in profit or loss.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. Unless the non-lease component is material the Company takes advantage of this practical expedient.

The Company does not act as a lessor, but it is a lessee.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Ferrovial Construction (UK) Limited

Notes to the financial statements

For the year ended 31 December 2021

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, considering the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Government grants

A grant that becomes receivable for the purpose of giving immediate financial support with no future related costs is accounted for under the accrual model and is recognised in other operating income in the period in which it becomes receivable.

All grants become receivable in the period in which the related costs for which the grant is intended to compensate are incurred.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3 (Significant accounting policies), the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical accounting judgements

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Provisions for forecasted losses

The Company's revenue recognition and margin recognition policies, which are set out in the 'Revenue Recognition - construction contracts' section of note 3 (Significant accounting policies) are central to how the Company values the work it has carried out in each financial year. These policies require forecasts to be made of the outcomes of the Company's long-term construction contracts. These forecasts require judgements to be made about the probable outcomes of key elements of the contracts. The quantum of the decrease to the provision for forecasted losses

Critical accounting judgements and key sources of estimation uncertainty (Continued)

Provisions for forecasted losses (Continued)

recognised in 2021 is £-0.5m (2020: £5.9m). The director's estimate of the best-case scenario for the outcome of the contracts in question would result to decrease the provision recognised at 31 December 2021 by £-1m, while the worst-case scenario would result in an additional £5m provision. For further information see note 22 (Provisions).

Recognition of revenue arising from milestones or gain share on 'Target cost' contracts

Included in a number of the Company's contracts are payments for achieving certain milestones or targets. Revenue can be recognised from these items of variable consideration before they are achieved, however only when the following conditions are met:

- it is highly probable that the milestones or targets will be achieved; and
- the project or activity is at least 75% complete.

Nonetheless, the recognition of revenue in these scenarios still involves judgements to be made about the probable outcomes of key elements of the contracts.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

Key sources of estimation uncertainty

The key assumptions concerning the future, and other sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimation of costs to complete

In order to determine the profit and loss that the Company is able to recognise on its construction contracts in a specific year, the Company is required to estimate the forecast costs to complete as well as the final contract value.

The following elements of estimating costs to complete are particularly relevant:

- Assessing the economic value of changes that have been approved in principle by the client but not in value. In cost reimbursable contracts with target cost elements, it is normal to have substantially completed work before the economic value is approved by the client. There are numerous commercial, financial and operational factors that can impact the final economic value agreed with the client.
- Assessing the time impact of changes that have been approved in principle by the client, but for which no formal extension of time has been agreed. The estimation becomes more critical when changes might give rise to delays that will result in liquidated damages payable to the client.
- Estimating the cost of performing works covered by warranties after contract completion. This is based on previous experience of similar projects delivered. But the projects the Company delivers are highly complex and no two projects are the exactly the same.

The range of potential outcomes could result in a materially negative or positive swing to profitability and cash flow.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

5. Revenue

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

	2021 £'000	2020 £'000
Revenue from construction contracts	426,280	346,302
Revenues from services	30,018	35,080
	<u>456,298</u>	<u>381,382</u>

Revenues from services relates mainly to the Company transactions with joint operations in which the Company is a joint operator, the Company is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Company's financial statements only to the extent of other parties' interests in the joint operation (see note 3 - Interests in joint operations).

An analysis of the proportion of revenue derived from Ferrovial Group companies and associates is as follows:

	2021 £'000	2020 £'000
Revenue from construction contracts received from Group undertakings and fellow subsidiary undertakings	88,207	55,799
Revenue from services received from Ferrovial Group undertakings and fellow subsidiary undertakings	482	264
	<u>88,689</u>	<u>56,063</u>

The types of the construction contracts in which the Company is engaged are varied but include cost plus with (and without) a target cost with pain/ gain share; lump sum; and framework agreements which contain elements of both target cost and lump sum.

Any analysis of the Company's revenue from construction contracts by sector is as follows:

	2021 £'000	2020 £'000
Rail	244,912	180,613
Water	90,564	107,131
Aviation	45,370	38,226
Highways	45,434	18,613
Others	-	1,719
	<u>426,280</u>	<u>346,302</u>

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The Company's order book by sector at 31 December 2021 and 2020 is shown in the table below. The order book is expected to be recognised in revenue in future years.

	2021 £'000	2020 £'000
Rail	350,440	425,000
Water	199,350	286,000
Aviation	30,233	45,000
Highways	421,200	359,000
Others	-	-
	<u>1,001,223</u>	<u>1,115,000</u>

6. Subcontractor costs and materials consumed

	2021 £'000	2020 £'000
Subcontracting and work performed by other companies	297,181	261,513
Raw materials and other consumables	3,879	2,302
Work performed by Ferrovial Group companies and associates	904	401
Increase in contract-related provisions	3,888	2,233
	<u>305,852</u>	<u>266,449</u>

7. Other income

Ferrovial Construction (UK) limited received Government Grants during 2021 of £38K (2020: £564K), where some of their employees benefited from COVID19 furlough scheme £22k, Apprenticeship Incentive £1k and Weather Ledger Innovation grant £15k.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

8. Personnel expenses and number of employees

	2021 £'000	2020 £'000
Wages and salaries	46,516	38,664
Social security costs	4,380	3,353
Pension costs	1,376	1,140
Other employee expenses	1,499	876
	<u>53,771</u>	<u>44,033</u>

Some key management personnel are enrolled in a long-term incentive plan where they are awarded shares in Ferrovial S.A. if both the employee and the Ferrovial Group achieve certain long-term KPIs. Because the scheme is considered to be run for the benefit of the Ferrovial Group as a whole and because the costs relating to Company are deemed immaterial, no costs of administering the scheme are recharged to or reflected in the accounts of Ferrovial Construction (UK) Limited.

The average monthly number of people employed by the Company during the year was:

	2021 Number	2020 Number
Project-based	532	403
Head office management and support services	52	31
	<u>584</u>	<u>434</u>

9. Other operating expenses

Other operating expenses are principally comprised of: plant and machinery rental costs; engineering consulting expenses; overhead charges from the parent company and general office costs.

10. Directors' remuneration and advances

The Company incurred the following costs in remunerating its directors:

	2021 £'000	2020 £'000
Basic salary, benefits and bonuses	649	703
Long term incentive plan share award	6	66
Defined contribution pension scheme	11	12
Total emoluments	<u>666</u>	<u>781</u>

No other costs were incurred by the Company in remunerating its directors.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

Of the three directors who served during the year, one did not receive any remuneration from the Company for their services. Their remuneration received was from other companies within the Ferrovial Group. Because they are directors of multiple companies within the Ferrovial Group, it is not practicable to apportion their emoluments or recharge their costs to Ferrovial Construction (UK) Limited.

The table above shows the total emoluments paid to two directors. This comprised: basic salary, allowances, benefits and bonuses of £649,000 (2020: £703,000); long-term incentive plan share scheme of £6,000 (2020: £66,000); and defined contribution pension scheme of £11,000 (2020: £12,000). The highest paid director received a total remuneration of £381,000 (2019: £304,000).

The Company paid the following advances to its directors:

	2021 £'000	2020 £'000
Opening balance	55	23
Advances paid	0	76
Amounts repaid	(55)	(44)
Closing balance	0	55

Advances are interest free and repayable on demand.

The purpose of the advances is to enable expatriate directors to make personal tax payments to H.M.R.C. on salaries and other benefits received in Spain.

11. Operating Profit/Loss

Operating Profit/Loss is stated after charging:

	2021 £'000	2020 £'000
Fees paid to the Company's auditor for audit services	119	104
Fees paid to the Company's auditor for other services	-	-
	119	104

12. Net financial expense

	2021 £'000	2020 £'000
Financial income		
Interest received on bank deposits	170	373
	170	373

	2021 £'000	2020 £'000
Financial expenses		
Interest on loans from Ferrovial Group companies and associates	(628)	(2)
Interest on lease liabilities	192	8

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

	(436)	6
Other financial gains and losses		
Net foreign exchange loss	(12)	(199)
Performance bond expenses	(821)	303
Other financial expenses	(17)	(48)
	850	56

13. Taxation

Income statement tax credit

	2021 £'000	2020 £'000
Current tax – current year	205	(16)
Current tax – adjustment in respect of prior years	(310)	539
Deferred tax – current year	5,641	1,088
Deferred tax – adjustments in respect of prior years	(65)	-
Income tax credit	5,471	1,611

The tax on the Company's loss before income tax differs from the theoretical amount that would arise using the corporation tax rate of the United Kingdom where the Company operates, and the difference is set out below:

	2021 £'000	2020 £'000
Loss before income tax	5,329	1,483
Tax calculated at UK corporation tax rate of 19% (2019: 19%)	-(1,012)	(282)
<i>Adjusted for:</i>		
Losses in the year not recognised as a deferred tax asset	-	-
Previously unrecognised losses now recognised as deferred tax asset	4,650	363
Expenses not deductible/(Income not taxable)	342	262
Temporary differences not shown in the tax comp	26	(15)
Adjustment in respect of prior years	(375)	539
Effect of changes to tax rates	1,840	744
Income tax credit	5,471	1,611

Balance sheet deferred tax

	2021 £'000	2020 £'000
Deferred tax assets to be realised within 12 months	1,683	-
Deferred tax assets to be realised after more than 12 months	11,300	7,408

Deferred tax assets are recognised only when it is probable that they will be recovered in the foreseeable future.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

A Budget Resolution passed on 3 March 2021 included provision for the main rate of corporation tax to increase from 19% to 25% from 1 April 2023. The impact of this rate change is included within the recognised deferred tax balances.

Resultantly, deferred tax is recognised at an average rate of 24% (2020: 19%) on 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.

The movements in deferred income tax during the year are as follows:

	Taxable losses £'000	Accelerated accounting depreciation £'000	Other temporary differences £'000	Total £'000
At 1 January 2020	6,232	76	12	6,320
Prior year credited/ (charged) to the income statement	-	-	-	-
Current year (charged)/ credited to the income statement	1,096	(1)	(7)	1,088
At 31 December 2020	7,328	75	5	7,408
Prior year credited/ (charged) to the income statement	-	(65)	-	(65)
Current year (charged)/ credited to the income statement	6,272	(684)	53	5,641
At 31 December 2021	13,601	(675)	58	12,984

The Company is able to recognise deferred tax assets in full on brought forward losses, based forecasted taxable profits from secured projects (2020 tax losses not recognised as deferred tax assets: £19.3m).

14. Right-of-use assets

	Buildings £'000	Motor vehicles £'000	Plant and equipment £'000	Other £'000	Total £'000
<i>Cost</i>					
At 1 January 2021	3,835	1,167	169	22	5,193
Additions	2,953	1,434	441	1,884	6,712
At 31 December 2021	6,788	2,601	610	1,906	11,905
<i>Accumulated depreciation</i>					
At 1 January 2021	(3,157)	(669)	(154)	(22)	(4,002)
Charge for the year	(1,211)	(1,060)	(141)	(518)	(2,930)
At 31 December 2021	(4,368)	(1,729)	(295)	(540)	(6,930)
<i>Carrying amount</i>					
At 1 January 2021	678	498	15	0	1,190
At 31 December 2021	2,421	872	316	1,366	4,975

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Notes to the financial statements For the year ended 31 December 2021

The Company leases the following categories of assets for the following purposes:

- Office space for the Company and its joint operations' head offices. These are leased on non-cancellable operating leases for periods of up to 10 years.
- Construction plant and machinery for delivering construction contracts. These are usually leased on one-month operating leases, with the option for the Company to extend the lease and the option for either the Company or the lessor to cancel the lease at one weeks' notice.
- Motor vehicles for use on construction sites and provided to employees as part of their remuneration package. These are leased on non-cancellable operating leases, lasting between 12 and 36 months.

None of the leases for offices expired in the current financial year.

Of the plant and equipment leases not falling under one of the IFRS 16 exemptions, approximately half expired in the current financial year. Generally, plant and equipment are leased for as long as it is required, so very few of these leases were replaced.

Approximately one third of the leases for motor vehicles expired in the current financial year, and the majority were replaced by new leases for similar underlying assets.

The maturity analysis of lease liabilities is presented in note 23 (Lease liabilities).

Amounts recognised in profit and loss

	2021
	£'000
Depreciation expense on right-of-use assets	3,083
Interest expense on lease liabilities	193
Expense relating to short-term leases	18,906
Expense relating to leases of low value assets	373

At 31 December 2021, the Group is committed to £nil (2020: £nil) for short-term leases.

None of the Company's leases contain variable payments. The Company has no finance leases. The Company expects this situation to remain constant in future years.

The Company does not act as a lessor.

The majority of the Company's leases are for plant and machinery. Most of these plant and machinery leases are under terms where initial lease period is one month or less. Subsequent to the initial lease period, both the lessor and the lessee typically have the right to terminate the lease without permission from the other party with no more than an insignificant penalty. Consequently, the Company has been able to take the recognition exemption permitted by IFRS 16 for short-term leases for these plant and machinery leases.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

15. Inventories

	2021 £'000	2020 £'000
Raw materials	716	0
Capitalised costs of obtaining contracts	1,941	2,029
	<u>2,657</u>	<u>2,029</u>

16. Trade and other receivables

Amounts falling due within one year:

	2021 £'000	2020 £'000
Trade receivables	29,141	35,195
Trade receivables due from Ferrovial Group companies and associates	17,948	1,571
Amounts due from customers for construction work	-	-
Withholdings by customers	14,910	11,918
Advances to suppliers	6,160	3,287
Prepayments	2,952	4,177
VAT receivable	1	1,687
Other Capitalised costs	319	0
Other receivables	3,842	915
	<u>75,274</u>	<u>58,750</u>

No specific provision for doubtful debts has been recognised (2020: £nil). A total IFRS 9 Expected Credit Losses provision of £7,701 (2020: £10,267) has been recognised in Trade receivables.

Trade sales of goods and services to Ferrovial Group companies and associates are on an arm's length basis.

Amounts due from customers for construction work represent 'underbillings' and occur when the Company (or its joint operations) has completed more work than the contract permits to be invoiced to the client. Once the work has invoiced to the client, the amount is reclassified as a trade receivable.

17. Contract assets and liabilities

Contracts in progress at the balance sheet date:

	2021 £'000	2020 £'000
Contract Assets (Non-current)	4,865	-
Amounts due to contract customers included in trade and other payables	(132,544)	(97,548)
	<u>(127,679)</u>	<u>(97,548)</u>

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

Contract costs incurred plus recognised profits less recognised losses to date for all projects that have not reached practical completion	2,015,363	1,589,082
Contract Assets (Non-current)	4,865	-
Less: progress billings	(2,147,907)	(1,686,630)
	<u>(127,679)</u>	<u>(97,548)</u>

No amounts due from contract customers included in trade and other receivables at 31 December 2021 (2020: £nil).

The Amounts due to contract customers included in trade and other payables at 31 December 2021 is primarily comprised of £102m in Highway contracts and £29m on Water contracts (2020: £57m in Highway contracts and £31m on Water contracts).

At 31 December 2021, retentions held by customers for contract work amounted to £14.9m (2020: £11.9m).

At 31 December 2021, advances received from customers for contract work amounted to £nil (2020: £nil).

At 31 December 2021, £nil (2020: £nil) included in trade receivables and arising from construction contracts are due for settlement after more than 12 months.

At 31 December 2021, Non-current Contract Assets excluding trade receivables arising from Milestone based Machinery used in Construction contracts amounted to £4.9m (2020: £nil)

18. Receivables and payables due from group understandings

Receivables and payables due from group understandings are held with other companies within the Ferrovial Group, arise in the course of the companies providing services to each other. However, they do not include balances arising specifically from the delivery of contracted construction services to and from other Ferrovial Group companies and associates. These balances are included within trade and other receivables and trade and other payables on the balance sheet, because they relate to the Company's core trade of construction.

The standard terms of receivables and payables due from group understandings are unsecured and repayable within thirty days. Interest is payable based on the rates applicable on receivables and payables due from group understandings between Ferrovial Group companies. These rates are benchmarked against external rates and updated quarterly by the Ferrovial Group treasury function.

19. Cash and cash equivalents

	2021 £'000	2020 £'000
Cash at bank and in hand	101,506	98,496
Short-term bank deposits of three months or less	93,092	59,675
	<u>194,598</u>	<u>158,171</u>

20. Financial derivatives at fair value

The Company has entered into foreign exchange swaps to hedge the price fluctuation of highly expected purchases denominated in Euros. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

At 31 December 2021, the Company held 3 foreign exchange forwards which mature between January 2022 and March 2022. At 31 December 2020, the Company held 12 foreign exchange forwards which mature between January 2020 and March 2022.

As at 31 December 2021, the fair value of the foreign exchange swaps was less than £0.3m liability (2020: £0.3m liability), measured based on level 2 input factors. The foreign exchange swaps are designated as cash flow hedges and consequently their fair value movements have been recognised within equity.

21. Trade and other payables

Amounts falling due within one year:

	2021 £'000	2020 £'000
Trade payables	11,215	12,397
Accruals	85,538	79,245
Withholdings to suppliers	6,928	6,563
Amounts billed in advance for construction work	132,409	97,548
Advances from clients	134	-
VAT payable	11,574	7,705
Other payables	6,318	2,000
	<u>254,116</u>	<u>205,458</u>

Trade purchases made from Ferrovial group companies and associates on an arm's length basis.

Amounts billed in advance for construction work tend to arise on cost plus and target cost contracts when the overall margin recognised is less than the fee applied to works certified by the client. As such, they are defined as contract liabilities under IFRS 15.

As at 31 December 2021, the Company has contract liabilities of £132.4m (2020: £97.5m), the movements during the year are as follows:

	2021 £'000	2020 £'000
At 1 January	<u>97,548</u>	<u>37,471</u>
Amounts billed in advance for construction work in the previous year that have been recognised in revenue in the current year	(9,452)	(18,201)
Amounts billed in advance for construction work in the year	44,313	78,279
At 31 December	<u>132,410</u>	<u>97,548</u>

Amounts billed in advance for construction work in 2020 that have been recognised in revenue in 2021 are £9,452,000 (2020: £18,201,000).

22. Provisions

Provisions for defects and warranties £'000	Provisions for forecasted losses £'000	Other provisions £'000	Total £'000
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Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

At 1 January 2020	5,309	8,909	-	14,218
Additions	537	5,992	-	6,529
Utilised during the year	-	(4,596)	-	(4,596)
Unused amounts reversed	-	300	-	300
At 31 December 2020	5,846	10,605	-	16,451
Additions	4,527	929	-	5,456
Utilised during the year	(171)	(1,398)	-	(1,569)
Unused amounts reversed	-	-	-	-
At 31 December 2021	10,202	10,136	-	20,338

The provision for defects and warranties represents management's best estimate of the Company's liabilities under warranties provided for construction services rendered, based on the characteristics of the specific project, past experience and industry averages for defects. Defect and warranty periods vary from one project to another but can last up to ten years.

A provision for forecasted losses is recognised immediately where it is probable that the total costs of a contract will exceed total contract revenue. The resulting outflows of economic benefits are realised over the remaining life of the contract.

Analysis of total provisions:

	2021 £'000	2020 £'000
Current	4,166	3,250
Non-current	16,172	13,200
	<u>20,338</u>	<u>16,450</u>

23. Lease liabilities

Disclosure required by IFRS 16

Maturity analysis

The maturity profile of lease liabilities is presented below:

	2021 £'000	2020 £'000
Within one year	2,039	1,160
After one year but not more than five years	1,338	239
More than five years	1,503	-
	<u>4,880</u>	<u>1,399</u>

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Notes to the financial statements For the year ended 31 December 2021

Analysis of total lease liabilities

	2021 £'000	2020 £'000
As at 1 January	1,399	3,106
Additions	3,784	2,063
Accretion of interest	193	60
Payments	(496)	(3,830)
As at 31 December	4,880	1,339
Current	2,039	1,160
Non-current	2,841	239
	4,880	1,399

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's treasury function.

24. Share capital

	Number of shares	Value £'000
At 1 January 2020	58,781	58,781
Shares issued	-	-
At 31 December 2020	58,781	58,781
Shares issued	-	-
At 31 December 2021	58,781	58,781

All share capital is ordinary shares with a nominal value of £1.00 per share. All shares are authorised, issued and fully paid.

In December 2021, no shares were issued.

25. Share premium

	Value £'000
At 1 January 2020	-
Share premium arising on the issue of share capital	22,770
At 31 December 2020	22,770
At 31 December 2021	22,770

26. Contingent liabilities

The Company and its joint operations have contingent liabilities in respect of warranties and guarantees entered into the normal course of business. At the balance sheet date, the directors are not aware of any circumstances that may give rise to a liability under these guarantees, except otherwise provided for – see note 22 (Provisions).

Ferrovial Construction (UK) Limited

Notes to the financial statements For the year ended 31 December 2021

Furthermore, the Company is party to disputes from which legal actions tend to arise in the ordinary course of business. When the outcome of these disputes is uncertain, the directors believe that, unless provided for in these financial statements, no material loss to the Company will occur.

In forming these opinions, the directors have taken the relevant legal advice.

27. Retirement benefits

The Company has no defined benefit pension scheme, but it does operate a defined contribution scheme. The assets of the scheme are held separately from those of the Company in funds under the control of trustees.

The total costs charged to the income statement of £1.4m (2020: £1.1m) represent contributions payable to the defined contribution pension scheme by the Company. As at 31 December 2021, £0.2m (2020: £0.1m) due in respect of the current reporting period has not been paid over to the scheme.

28. Financial risk management

The key financial risks affecting the Company, and the policies in place to mitigate them, are set out below:

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Management monitors a rolling forecast of the Company's liquidity reserve based on expected cash flow in accordance with practice and limits set by the Company. In addition, the Company's liquidity management policy involves projecting cash flows considering the level of liquid assets necessary to meet these.

The Company has adopted a proactive approach to liquidity management based on the constant evaluation of factors that could help to resolve liquidity crises by giving special attention to monetary assets. Cash surpluses are only invested in financial institutions with a credit ratings of 'A' or higher. Specific authorisation levels are required for placement of investments with a term of greater than three months.

Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial asset fails to meet its contractual obligations. Credit risk arises from deposits with banks as well as from the Company's clients.

The main financial assets exposed to credit risk are cash and cash equivalents and trade and other receivables. The overall exposure to credit risk is equal to the balance of the above-mentioned items, as the Company has not granted any credit lines to third parties.

Regarding the risk incurred by investing in financial products, the Company has implemented internal criteria to minimise the risk, for banks and financial institutions. Only independently rated institutions, with a minimum rating of 'A' are accepted. The Company also imposes maximum limits on amounts invested or contracted, which are periodically reviewed.

Credit risk for the Company through its trade and other receivables is mitigated by only working with clients and joint operation partners with strong credit histories, and by monitoring the credit ratings of these entities.

Market risk

The Company is exposed to other market risks in respect of labour, materials and equipment prices. Mitigation measures, such as fixed price contracts and cash flow hedging, are put in place to manage the potential impact of these risks on the Company when they are considered material.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and provide returns to its shareholder.

The capital structure of the Company consists of shareholders' equity as set out in the Statement of changes in equity. All working capital requirements are financed from existing cash resources, with equity investments from the Company's shareholder requested if required.

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29. Ultimate parent undertaking

The Company's immediate parent undertaking is Ferrovial Construction Holdings Limited, which is incorporated in the United Kingdom.

The parent company of the smallest group in to which Ferrovial Construction (UK) Limited is consolidated is Ferrovial Construction International S.E., a company incorporated in the Netherlands. Ferrovial Construction International S.E.'s registered office:

Kingsfordweg 151
1043GR Amsterdam
Netherlands

The ultimate parent undertaking and controlling party of Ferrovial Construction (UK) Limited is Ferrovial S.A., which is incorporated in Spain. Ferrovial S.A. is the largest company into which Ferrovial Construction (UK) Limited is consolidated.

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

The company secretary
Ferrovial S.A.
Principe de Vergara 135
28002 Madrid
Spain

30. Events after the reporting period

At the date on which these financial statements were approved, there had been no event that had occurred since 31 December 2021 that would have a material impact on the financial statements.