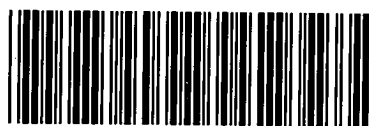


REGISTERED NUMBER: 02379472 (England and Wales)

**Annual Report and
Financial Statements for the Year Ended 31 December 2022
for
Amey Construction Limited**

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Amey Construction Limited

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for the Year Ended 31 December 2022**

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Amey Construction Limited

Company Information for the Year Ended 31 December 2022

Directors

P Birch
G P Steffenini

Company Secretary

Sherard Secretariat Services Limited

Registered Office

Chancery Exchange
10 Fumival Street
London
EC4A 1AB
United Kingdom

Auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU
United Kingdom

Amey Construction Limited

Strategic Report for the Year Ended 31 December 2022

The Directors present their strategic report for the year ended 31 December 2022.

Ultimate parent undertaking

The Company is a member of the Amey UK Limited group of companies and, following the change of ownership of Amey UK Limited on 30 December 2022, is now wholly owned by a company (Project Ardent Bidco Limited) controlled by One Equity Partners and Buckthorn Partners, private equity investors. The Company is no longer a member of the Ferrovial, S.A. group of companies.

Principal activity

Amey Construction Limited's (the Company) principal activity is building maintenance. There have been no changes to the Company's principal activity during the year.

Review of business and future developments

The income statement for the year is set out on page 11 and shows revenue of £5,423,000 (2021 - £5,893,000) and a loss after tax amounting to £22,000 (2021 – £450,000), all of which arose from continuing activities.

Revenue reduced by 7% compared to the previous year due to reduced activity, though operating margins were slightly improved. The profit after tax reduction reflected a significant charge following adjustment to prior year estimates. The Directors anticipate that this level of activity will continue for 2023.

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

Key performance indicators

The Company's principal key performance indicator is profit before tax which is shown in the income statement for the year set out on page 11.

Amey Construction Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Principal risks and uncertainties

The Company's risks and other key performance indicators are only reported and managed on a Divisional basis. To gain a further understanding of this business, details of the principal risks and uncertainties and other key performance indicators are contained in the Annual Report and Financial Statements of the intermediate parent undertaking, Amey UK Limited ('the Group'), for the year ended 31 December 2022. The Company is a member of the Central Services division of the group.

Financial risk management

A discussion of the objectives and policies employed in managing risk and the Company's use of financial instruments can be found in the Amey UK Limited Annual Report and Financial statements for the year ended 31 December 2022 as the Company is subject to the application of Group-wide policies and practices when assessing financial risk.

The Company does not hold any cash flow hedge derivative financial instruments. There is no material financial risk arising on the assets and liabilities held by the Company.

Statement by the Directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2022 (see also the Corporate Governance statement and a detailed s172(1) statement on the Amey Group's website: www.amey.co.uk and the Amey UK Limited 2022 Annual Report and Financial Statements for more information).

In discharging their duties in relation to s172(1) of the Companies Act 2006, the Directors have paid regard to the following matters:

- (a) the likely consequences of any decision in the long-term, such as strategic planning, Brexit impact and business development opportunities;
- (b) interests of the Group's employees including health and safety, employee involvement and initiatives, diversity, inclusion and gender pay gap issues;
- (c) the need to foster relationships with suppliers, customers and others including supplier evaluation, social values and payment practices;
- (d) to act fairly between members of the Company;
- (e) impact of operations on community and the environment, including carbon management, climate crisis initiatives; and
- (f) reputation for high standards of business conduct including adoption of corporate governance standards, training of Directors and whistleblowing reporting.

As the Company is a wholly owned subsidiary of the Amey group of companies, the Company's Directors discharge their duties within policies, procedures and authorisation limits set out on a group-wide basis. Further information on how officers within the Amey Group of companies discharge their duties is included in the Amey UK Limited 2022 Annual Report and Financial Statements. The Directors of this Company also achieve this through attendance at relevant executive meetings, involvement in executive briefings and training, and through having responsibility for implementation of group-wide initiatives to promote best practice.

Approved by the Board on 20 December 2023 and signed on its behalf by:



P Birch
Director
20 December 2023

Amey Construction Limited

Report of the Directors for the Year Ended 31 December 2022

The Directors present their annual report with the audited financial statements of the Company for the year ended 31 December 2022.

Strategic Report

Details of future developments and financial risk management can be found in the Strategic Report on pages 2 to 3 and form part of this report by cross reference.

Dividends

No dividends were paid by the Company during the year (2021 - £nil). In view of the deficit on retained earnings, the Directors are unable to recommend the payment of any dividend.

Energy and Carbon Performance

The Company has taken exemption from reporting on Energy and Carbon Performance as this information is included in the consolidated Annual Report and Financial Statements of Amey UK Limited, of which this Company is a member. Full disclosure can be found in the Amey UK Limited Annual Report and Financial Statements for 2022.

Business Relationships

The Directors have had regard to the need to foster the company's business relationships with stakeholders. This is explained further within the s172(1) statement in the strategic report on page 3.

Directors of the Company

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

P Birch
G P Steffenini

Directors' indemnity

Directors and Officers of the Company (and those employees who are also Directors of the Group's subsidiary companies) benefitted during 2022 from Ferrovial, S.A.'s group-wide Directors' and officers' liability insurance cover in respect of legal actions brought against them. Following the divestment of the Group by Ferrovial, the new shareholders put in place a comparable policy. Accordingly, the Company and its subsidiaries do not maintain their own equivalent Directors' indemnity insurance cover arrangements. In addition, Directors of the Company are indemnified under the Company's articles of association to the extent permitted by law, such indemnities being qualified third party indemnities.

Going concern

After making enquiries and based on the assumptions outlined in note 2 to the financial statements, the Directors have concluded that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approving these financial statements and, for this reason, they continue to adopt the going concern basis in preparing the Group financial statements.

Policy on slavery and human trafficking

In accordance with the Modern Slavery Act 2015, the Amey Group of which this Company is a member, is committed to ensuring that there is no modern slavery or human trafficking in our supply chains, or in any part of our business, with a zero tolerance for non-compliance. A full statement reflecting that commitment can be found on the Amey website www.amey.co.uk and an abridged statement is included in the financial statements of the Company's intermediate parent company, Amey UK Limited.

Amey Construction Limited

Report of the Directors for the Year Ended 31 December 2022 (continued)

Statement as to disclosure of information to the auditor

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

The Directors appointed Mazars LLP as auditor of the Company for 2022 following the resignation of Deloitte LLP on completion of the 2021 audit.

Approved by the Board on 20 December 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P Birch', is positioned above the printed name and title.

P Birch
Director
20 December 2023

Amey Construction Limited

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Amey Construction Limited

Independent Auditor's Report to the members of Amey Construction Limited

Opinion

We have audited the financial statements of Amey Construction Limited (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss 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 twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Amey Construction Limited

Independent Auditor's Report to the members of Amey Construction Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 our 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 this gives rise to 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 the 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 Statement of Directors' Responsibilities on page 6, 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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Amey Construction Limited

Independent Auditor's Report to the members of Amey Construction Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, Bribery Act, the Finance Act, climate change regulations and financial reporting.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006, Climate Change Act 2008, Modern Slavery Act, Health and Safety laws, employment laws, environmental laws.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition which we pinpointed to the accuracy and cut off subject to significant fraud risk, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Evaluating the business rationale for significant and unusual transactions
- Review of accounting estimates and judgment made by Management – possible intentional misstatement of accounting estimates due to management bias which may result involving complex assumptions and subjective inputs
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Amey Construction Limited

Independent Auditor's Report to the members of Amey Construction Limited (continued)

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.



.....
Karen Classen (Senior Statutory Auditor)
For and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London, EC4M 7AU

20 December 2023

Amey Construction Limited**Income Statement for the Year Ended 31 December 2022**

	Note	2022 £'000	2021 £'000
Revenue	4	5,423	5,893
Cost of sales		(4,907)	(5,338)
Operating profit		516	555
Profit before taxation	6	516	555
Tax on profit	7	(538)	(105)
(Loss)/profit for the year		(22)	450

The notes on pages 15 to 28 form part of these financial statements.

Amey Construction Limited**Statement of Comprehensive Income for the Year Ended 31 December 2022**

	2022 £'000	2021 £'000
(Loss)/profit for the year	(22)	450
Total comprehensive (expense)/income for the year	(22)	450

The notes on pages 15 to 28 form part of these financial statements.

Amey Construction Limited (Registered number: 02379472)

Balance Sheet as at 31 December 2022

	Note	2022 £'000	2021 £'000
Current assets			
Debtors: amounts falling due within one year	8	21,216	20,910
Debtors: amounts falling due after more than one year	8	345	262
Cash at bank and in hand		477	507
		<u>22,038</u>	<u>21,679</u>
Creditors:			
Amounts falling due within one year	9	<u>(9,837)</u>	<u>(9,456)</u>
Total assets less current liabilities		<u>12,201</u>	<u>12,223</u>
Net assets		<u>12,201</u>	<u>12,223</u>
Capital and reserves			
Share capital	11	60,452	60,452
Retained deficit		<u>(48,251)</u>	<u>(48,229)</u>
Shareholders' funds		<u>12,201</u>	<u>12,223</u>

The financial statements were approved by the Board of Directors on 20 December 2023 and signed on its behalf by:



P Birch
Director
20 December 2023

The notes on pages 15 to 28 form part of these financial statements.

Amey Construction Limited**Statement of Changes in Equity for the Year Ended 31 December 2022**

	Share capital £'000	Retained deficit £'000	Total £'000
At 1 January 2021	60,452	(48,679)	11,773
Profit for the year	-	450	450
Total comprehensive income	-	450	450
At 31 December 2021	60,452	(48,229)	12,223

	Share capital £'000	Retained deficit £'000	Total £'000
At 1 January 2022	60,452	(48,229)	12,223
Loss for the year	-	(22)	(22)
Total comprehensive expense	-	(22)	(22)
At 31 December 2022	60,452	(48,251)	12,201

The notes on pages 15 to 28 form part of these financial statements.

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

Amey Construction Limited's (the Company) principal activity is building maintenance. There have been no changes to the Company's principal activity during the year.

The Company is a private company limited by share capital, incorporated and domiciled in the UK and registered in England and Wales.

The Company Secretary and address of the registered office is as follows:

Sherard Secretariat Services Limited

Chancery Exchange
10 Furnival Street
London
EC4A 1AB

2 Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

On 1 January 2022, the following additional standards which might have had an impact on the financial statements came into force in the United Kingdom:

Amendment to IFRS 3	Conceptual framework
Amendment to IAS 16	Property, plant and equipment: proceeds before intended use
Amendment to IAS 37	Onerous contracts – cost of fulfilling a contract
Annual improvements	2018 – 2020 cycle

No significant impact on the Company's financial statements has been identified because of these additional standards and amendments.

New standards or interpretations applicable to the Company for accounting periods commencing on or after 1 January 2023 are not expected to have a material impact on the Company and will not be adopted early.

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 'Reduced Disclosure Framework':

- the requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33(c) of IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
 - paragraphs 76 and 79(d) of IAS 40 Investment Property;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group;
- IAS 36, 'Impairment of assets' paragraphs 134 and 135;
- IFRS 15, 'Revenue from contracts with customers': second sentence of paragraph 110, and paragraphs 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129; and
- IFRS 16, 'Leases': paragraph 52, the second sentence of paragraph 89 and paragraphs 90, 91 and 93. Paragraph 58, provided that the disclosure of details of indebtedness required by paragraph 61(c) of Schedule 1 of the Regulations is presented separately for lease liabilities and other liabilities in total.

Going concern

The Company is a subsidiary of Amey UK Limited (the Group) and its financial resources are managed on a group basis. The Company is accordingly a cross-guarantor to certain liabilities of the Group as described in note 12 and the going concern assessment of the Company is intrinsically linked to the assessment for the Group as a whole. The Company has also received written confirmation from its parent undertaking, Amey UK Limited, that it will continue to provide financial support to the Company for a period of at least twelve months from the date of signing these financial statements in order to fund day-to-day operations and to meet liabilities to the extent that the Company is unable to do so.

The Group is financed through a mixture of shareholder equity, bank loans, overdrafts and leases. Details of all bank loans and their maturity are set out in the Amey UK Limited financial statements for 2022, as are details of finance risks.

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Going concern (continued) On 30 December 2022, the Group was acquired by Project Ardent Bidco Limited, a company controlled in partnership between Buckthorn Partners LLP and One Equity Partners. The Group does not rely on its new owners for contractual guarantees, as was the case with the previous owner, Ferrovial, S.A., so there are no implications to the ongoing trading operations of the Group arising as a result of the change of ownership. Furthermore, continuity of financing was ensured through a new Group borrowing facility, entered into at the time of sale that replaced the Group's previous bank facilities and which was undrawn at 31 December 2022.

This replacement borrowing facility is the Group's key source of additional funding and is a syndicated revolving credit facility agreement with HSBC UK Bank plc, National Westminster Bank PLC, ABN AMRO Bank N.V. and Citibank, N.A. acting as lenders and with HSBC Bank plc acting as agent. This agreement totals £150 million, of which up to £100 million is available for borrowing with the remainder being available for ancillary products. The facility was entered into on 30 December 2022 and matures on the 30 December 2026. At 31 December 2022, no borrowings were drawn against the facility and the Group also held £33.7 million of unrestricted cash on the Group balance sheet.

Notwithstanding this continuity of financing, the Directors of the Group have reviewed several factors including:

- the future business plans of the Group (including the current year results and cash flows up to the date of these accounts, the current forecast for 2023 and the strategic plan for 2024 to 2027);
- the availability of core and ancillary financing facilities;
- compliance with banking covenants regarding net leverage, minimum liquidity and net interest cover;
- the projected drawn positions and headroom available on the core committed financing facilities; and
- the projected future cash flows of the Group comprising:
 - a Base Case forecast built up from the budget for 2023; and
 - a Reasonable Worst Case ('RWC') forecast which applies sensitivities against the Base Case.

The sensitivities applied to the RWC include specific, unbudgeted cash flows in 2023 and cash flow stress cases in 2024 ranging from 27% up to 66%. The Group's cash flow forecasts show that there is sufficient liquidity to enable it to continue trading should these scenarios materialise. In addition, management has considered significant additional reductions in headroom due to unforeseen events such as supply shocks and widespread client defaults, along with potential mitigations. Inflation is not considered a significant risk to the Group's liquidity as the majority of its revenues are index-linked and so are naturally hedged against inflationary pressures. Reverse stress testing showed that the Group would have sufficient liquidity in all but the most extreme case, where 100% of local government clients and 25% of central government agency clients default. The impact of this scenario could be offset by increased liquidity from mitigating actions and is in any case considered extremely remote. Furthermore, the Group's operations and suppliers are primarily in the United Kingdom and the majority of its clients are government or government-backed and so the Group is not considered to be exposed to vulnerable markets or sectors or from global factors such as armed conflicts and the climate crisis.

In summary, the directors of the Group are satisfied that the Group has adequate resources to meet its obligations as they fall due for a period of at least twelve months from the date of approving these financial statements and, for this reason, they continue to adopt the going concern basis in preparing the Group financial statements.

On the same basis, the Directors of this Company have adopted the going concern principle in preparing these financial statements.

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Other principal accounting policies

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

Revenue recognition

All revenue is accounted for under the requirements of IFRS 15 – Revenue from Contracts with Customers.

(i) General revenue recognition criterion

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

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

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

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

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

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Revenue recognition (continued)

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

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

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

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

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

(iii) Variable consideration

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

(iv) Balance sheet items relating to revenue recognition

Amounts recoverable on contracts/payments received on account

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

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Financial instruments

Recognition and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument. Financial assets are de-recognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component, and which are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for applicable transaction costs. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: amortised cost; fair value through profit or loss (FVTPL); or fair value through other comprehensive income (FVOCI). The classification is determined by both the Company's business model for managing the financial asset and the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

- (a) Financial assets at amortised cost - financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL): they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest.
- (b) Financial assets at FVTPL - financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).
- (c) Financial assets at FVOCI - the Company accounts for financial assets at FVOCI if the assets meet the following conditions: they are held under a business model whose objective is 'hold to collect' the associated cash flows and the contractual terms of financial assets give rise to cash flows that are solely payments of principal and interest. Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon de-recognition of the asset.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of the requirements include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL. Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead, the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between: Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk; Stage 2 - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low; and Stage 3 - financial assets that have objective evidence of impairment at the reporting date. Twelve-month expected credit losses are recognised for the first category while lifetime expected credit losses are recognised for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

(a) Trade and other receivables - trade receivables are initially recognised and carried at the lower of their original invoiced value and recoverable amount. Balances are written off when the probability of recovery is remote. The Company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. The Company uses historical experience, external indicators and forward-looking information to calculate the expected credit losses. The Company assesses impairment of trade receivables on a collective basis. Where they possess shared credit risk characteristics, they have been grouped based on industry sector global default rates.

(b) Intercompany loans receivable - intercompany advances to other Group companies are all held to maturity, neither party has an option to call or prepay the loan before the contracted maturity date. Such assets are held under a business model to hold and collect contractual cash flows and therefore meet the 'solely payments of principal and interest' test. No embedded derivatives are currently recognised in these advances, and the amortised cost classification is not impacted. All intercompany advances are assessed for impairment under the ECL model using the simplified approach.

Classification and measurement of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. An equity instrument is any contract that provides a residual interest in the assets of a business after deducting all other liabilities.

The Company's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

(a) Borrowings - borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost unless they form part of a fair value hedge relationship. Any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the EIR method. Borrowings being novated or cancelled and re-issued, with a substantial modification of the terms, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, with any resulting gain or loss recognised in the income statement.

(b) Trade and other payables - trade and other payables are non-interest bearing and are stated at their fair value and subsequently measured at amortised cost using the EIR method.

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedging activities

(a) Derivatives are initially recognised at fair value on the date a derivative contract is entered and are subsequently re-measured at their fair value. Derivative financial instruments are accounted for at FVTPL except for cash flow hedge derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet the following requirements: there is an economic relationship between the hedged item and the hedging instrument; and the effect of credit risk does not dominate the value changes that result from that economic relationship. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives either as fair value hedges, where they hedge exposure to changes in the fair value of the hedged asset or liability or as cash flow hedges, where they hedge exposure to variability in cash flows that are attributable to a risk associated with any changes in the fair value of the hedged asset, liability or forecasted transaction. The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents, both at hedge inception and on an ongoing basis, its assessment of whether the cash flow hedge derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The fair value of a derivatives is classified as a non-current asset or liability when the remaining maturity is more than 12 months and as a current asset or liability where it is less than 12 months.

(b) Fair value hedge - all hedging relationships that were hedging relationships under IAS 39 meet IFRS 9's criteria for hedge accounting at 1 January 2022 and are therefore regarded as continuing hedging relationships. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value gains and losses on any underlying hedged items that are part of a fair value hedging relationship. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the EIR method is used is amortised in the income statement over the period to maturity.

(c) Cash flow hedge - the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI. To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in OCI and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss. Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When or if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(d) Derivatives at fair value through profit and loss - certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of these derivative instruments are recognised immediately in the income statement. When derivatives are designated in a hedge relationship, the net interest payable or receivable on those derivatives is recorded net of the interest on the underlying hedged item in the income statement. When derivatives are not in a hedge relationship, the fair value changes on these derivatives are recognised within fair value gains or losses on financial instruments in the income statement. The interest payable and receivable on those derivatives are recorded at their net amount in finance costs in the income statement.

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax balances are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. It is measured using tax rates that have been enacted or substantively enacted at the time when the temporary difference reverses. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Trade and other receivables

Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

Amounts recoverable on contracts

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

Cash at bank and in hand

Cash at bank and in hand includes cash and deposits with banks. Bank overdrafts are shown within borrowings in current liabilities.

Creditors

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

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

3 Critical accounting estimates and judgements

Accounting estimates

In the financial statements for 2022, estimates have been made to measure certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate to the following:

- (i) Estimates taken into consideration for the purpose of recognising revenue from contracts with customers including most notably those associated with:
 - determining whether enforceable rights exist, in order to recognise revenue;
 - determining whether a contract modification has been approved;
 - establishing whether the conditions for recognising revenue for variable consideration are met;
 - recognising revenue in relation to a claim or a dispute;
 - establishing whether the contract includes one or several performance obligations, and determining the price allocable to each of them;
 - defining for each performance obligation the applicable method for recognising revenue over time, taking into account that, based on the accounting policy established by the Company, the preferred method is the 'survey of performance completed to date' output method (units of production or based on time elapsed), and the 'stage of completion measured in terms of costs incurred' input model is applied in those cases in which the services provided are not routine and recurring services, and in which the unit price of the units of work to be performed cannot be determined;
 - in the case of contracts recognised using the survey of performance completed to date method, measuring the units completed and the price that can be allocated thereto;
 - in the case of contracts recognised using the 'percentage of completion method' input method, defining the costs incurred relative to total contract costs, and the expected profit margin for the contract;
 - determining whether to capitalise bidding costs and mobilisation costs;
 - making estimates relating to the calculation of the provision for expected losses and deferred expenses including the level of discount rate to be applied when calculating the provision; and
 - the aim of the criterion described above is to provide the most faithful depiction of the transfer of performance obligations.
- (ii) The assessment of possible legal contingencies
- (iii) The assessment of possible impairment losses on certain assets
- (iv) Business performance projections that affect the estimates of the recoverability of tax assets and the expected period over which it is probable such assets can be recovered

Although these estimates were made on the basis of the best information available at 31 December 2022 on the events analysed, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors).

The key accounting estimates and judgements are further considered below:

Key sources of estimation uncertainty

No key sources of estimation uncertainty have been identified during the preparation of these financial statements.

Key judgements

No key judgements have been identified during the preparation of these financial statements.

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Revenue

Revenue is wholly attributable to the principal activity of building maintenance. All revenue arises solely in the UK.

5 Employees and Directors

The Company had no direct employees in either 2022 or 2021. No costs of employees of Amey Services Limited are recharged to this Company.

No Directors were remunerated through the Company in either 2022 or 2021.

The remuneration of the Directors, whose services are of a non-executive nature, is deemed to be wholly attributable to the Group as a whole.

6 Profit before taxation

The auditor's remuneration is borne by Amey Group Services Limited, a fellow subsidiary undertaking of the Company, and is not recharged. The allocation to the Company of the auditor's fees, which are attributable solely to the audit of these financial statements, is £9,000 (2021 - £15,000).

7 Taxation

Analysis of tax charge

	2022 £'000	2021 £'000
Tax – current year	98	105
UK corporation tax adjustment to prior periods	523	-
Current tax charge	621	105
Deferred tax - adjustment in respect of prior periods	(83)	-
Deferred tax credit	(83)	-
Total tax charge in income statement	538	105

Factors affecting the tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2021 - 19.00%)

The differences are reconciled below:

	2022 £'000	2021 £'000
Profit before income tax	516	555
Tax on profit calculated at standard rate	98	105
Effects of:		
Adjustments to prior periods	440	-
Tax charge	538	105

The current main rate of UK corporation tax is 19%. On 10 June 2022, Finance Act 2022 gained Royal Assent and included provision for the main rate of UK corporation tax to increase to 25% on 1 April 2023.

Amey Construction Limited**Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)****8 Trade and other receivables**

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Trade debtors	258	-
Amounts owed by group undertakings	18,342	17,965
Amounts owed by the parent undertaking of the Company	1,871	2,492
Amounts recoverable on contracts	725	433
Other debtors	20	20
Total current receivables	21,216	20,910
Amounts falling due after one year:		
Deferred tax asset (see note 10)	345	262
	21,561	21,172

9 Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	600	4
Amounts owed to group undertakings	8,878	8,877
Social security and other taxes	86	160
Accruals	273	415
Total	9,837	9,456

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

10 Deferred tax asset

	£'000
Balance at 1 January 2022	262
Credited to the income statement	(83)
Balance at 31 December 2022	<u>345</u>

	2022	2021
	£'000	£'000
Deferred tax comprises:		
Tax losses	<u>345</u>	<u>262</u>

All deferred tax assets have recognised in full and have been measured at a rate of 25% (2021 - 25%).

11 Share capital

	Number	£000
Ordinary shares of £1 each		
Authorised, issued and fully paid at 31 December 2022 and 31 December 2021	<u>60,452,002</u>	<u>60,452</u>

12 Contingent liabilities

As a member of the Amey UK Limited Group of Companies, the Company is a participator in certain bank account pooling arrangements, the Group VAT registration and HMRC UK Corporation Tax Group Payment arrangement and is jointly and severally liable with other group companies for the total Group balances outstanding. At 31 December 2022, the only net liability arising across the Amey Group was £22,016,000 (2021 - £52,955,000) in respect of VAT.

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

There were no other contingent liabilities at 31 December 2022 or at 31 December 2021.

13 Capital commitments

The Company had no capital commitments at 31 December 2022 or at 31 December 2021.

Amey Construction Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

14 Controlling parties

The immediate parent undertaking is Amey Limited.

The ultimate parent undertaking, the ultimate controlling party and the largest group to consolidate these financial statements is Project Ardent Bidco Limited.

The Company is wholly owned by both the immediate and ultimate parent undertaking.

The parent of the smallest group in which these financial statements are consolidated is Amey UK Limited, incorporated in England and Wales.

Copies of the Project Ardent Bidco Limited or Amey UK Limited consolidated financial statements can be obtained from the registered office as follows:

The Company Secretary
Chancery Exchange
10 Furnival Street
London EC4A 1AB
United Kingdom