BY DEVELOPMENT LIMITED

Report and Financial Statements

31 December 2022

Contents

Directors' report

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

Directors of the Company

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

- A Boutrolle
- JL Midena
- R Bradley
- F Viala
- P Prongue (appointed 1 June 2022)

Subsequent to the year-end A Boutrolle resigned as a director of the Company (31 January 2023).

The Company Secretary is A Child.

Dividends

Dividends of £3,736k have been declared during the year (2021: £nil).

Future developments

The Company intends to continue operating as a property developer in the future.

Financial instruments

The Company finances its activities with a combination of cash, intercompany loans where required and short-term deposits. Other financial assets and liabilities such as trade debtors and trade creditors arise directly from the Company's operating activities.

Financial instruments give rise to credit and liquidity risk. Information on how risks arise, and their management is set out in the Strategic Report.

Stakeholder involvement

Information in relation to engagement with customers, suppliers and others in business relationship with the Company is included within the Strategic Report.

The Company has no employees.

Energy usage and carbon emissions

The Company does not use energy or generate carbon emissions directly as a result of its activities. The Company works with stakeholders to consider the impact on the environment. Further details on environmental considerations are provided within the Strategic Report.

Directors' report *(continued)*

Directors' liabilities

The Articles of Association of the Company provide that in certain circumstances the directors are entitled to be indemnified out of the assets of the Company against claims from third parties in respect of certain liabilities arising in connection with the performance of their functions, in accordance with the provisions of section 234 of the Companies Act 2006. Indemnity provisions of this nature have been in place during the year and remain in place as at the date of this report but have not been utilised by the directors.

Going concern

The Company's business activities, together with the factors likely to affect its future development and its financial position are set out in the Strategic Report.

The financial statements have been prepared on a going concern basis.

The directors have considered the impact that inflation, availability of labour and materials as well as the conflict in Ukraine may have on the Company and prepared cashflow forecasts for the period to 30 June 2024. The Company's approach of making investments in project companies, which are non-current in nature, means that the Company has a net current liabilities position as at 31 December 2022.

As a result, the Company is dependent on the support of its parent undertaking Bouygues UK and has received written confirmation that this financial support would be provided for a period of at least 12 months from the date of approval of the financial statements of the Company.

Bouygues UK has carried out its own assessment of going concern covering the period to 30 June 2024 considering the impact inflation, availability of labour and materials, the conflict in Ukraine and the risk of post completion liabilities arising from recent legislative changes relating to building safety may have. Downside sensitivities have been applied to the Bouygues UK cashflow forecasts and even in the unlikely scenario that there is a prolonged decrease in demand for construction services, continued impact of post completion liabilities and that the major contracts that Bouygues UK is targeting do not proceed, the parent undertaking still has adequate resources to continue operations (including the provision of necessary financial support to the Company) for the foreseeable future. The directors conclude therefore, that adopting the going concern basis of accounting in preparing the Company's annual financial statements is appropriate.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable UK 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).

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 for that period.

Directors' report *(continued)*

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 proper 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.

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board

P. Prongue

P Prongue
Director

Becket House
1 Lambeth Palace Road
London SE1 7EU

7 June 2023

Strategic report

Directors Statement of responsibilities under Section 172 Companies Act 2006

The directors are cognisant of their duties under Section 172 of the Companies Act 2006 in their deliberations and decisions on all matters affecting the Company. Decisions made by the directors take into account the interests of all key stakeholders and reflect the directors' belief that the long-term sustainable success of the Company is linked directly to its key stakeholders.

Long term approach

The directors are focused on the success of the Company over the long term through the implementation of a long term strategy for the Company to develop in key targeted sectors where the Company can bring a strong value proposition, leveraging its strengths and those of the wider Bouygues group to deliver long term benefits in the communities where it operates.

Stakeholders

As part of the Bouygues group's "Greenlight" programme the Company is focused on engagement with key stakeholders, the environment and digital transformation.

The Company, as a wholly owned subsidiary of the Bouygues SA group is an integrated member of the Bouygues Construction building division. During the year the directors maintained regular engagement with group representatives across a range of topics.

The directors oversee an ongoing programme of engagement with clients including satisfaction surveys in addition to regular one to one contact between clients and individual directors and senior management. During the year the directors decided to extend social impact measurement to all of the Company's projects.

The Company has a programme of active engagement with the local communities in which it operates. On new projects this typically commences during the project development stage in order to involve the local community as early as possible and follows through to the construction phase.

The Company seeks to adopt sensitive design, use of local renewable materials and green technologies wherever possible to make a significant impact in terms of protecting the environment. The Company is part of the wider Bouygues group's sustainable construction structure which provides specific expertise in sustainable construction including an innovation programme in relation to energy efficient buildings focused on reducing carbon emissions. The Company also utilises the group's materials engineering centre which develops innovations in relation to materials and processes.

The Company has no employees.

Reputation for High Standards of Business Conduct

Ethical business represents a cornerstone of the Company's strategic approach, as part of its wider focus to be a responsible and committed business partner. The directors ensure that the group's procedures and awareness training which reflect the requirements of UK legislation such as the Bribery Act and Modern Slavery Act, are implemented on the projects which the Company carries out as well as the group's compliance procedures. The Company also ensures that the group's whistleblowing and anti-bullying processes are in place on its projects. The Company is committed, in its day to day operations to uphold high standards of business conduct and integrity.

Acting fairly between members of the Company

The Company is a wholly owned subsidiary of the Bouygues group and has a single shareholder and therefore the directors have no considerations to address in relation to acting fairly between members.

Strategic report *(continued)*

Business review

The profit for the year after tax was £3,748k *(2021: £106k)*. The financial position as at 31 December 2022 is shown in the Company's statement of financial position on page 13.

The Company's core business during 2022 was property development.

Turnover for the year was £120,868k *(2021: £148,523k)*. Activity has decreased due to the phasing of the projects being carried out by the Company and delays in the award of some projects due to the challenging market conditions. The profit before tax in the year increased to £3,724k *(2021: £135k)*, with the main movements in profit relating to improvement of project results and income from investee companies.

The Company continues to deliver on existing contracts and secure new business and has a good pipeline of targeted projects despite the recent economic challenges arising in the UK.

The directors will continue to monitor the impact of economic conditions on the Company and take this into account when making future operating decisions.

Principal risks and uncertainties

The Company is exposed to a range of risks particular to the property development and construction industries.

The Company's risk management approach used to identify risks and manage these is in accordance with the procedures established by its parent company Bouygues Construction SA. Assessments are carried out on each project to ensure significant risks are identified and managed appropriately. Building development activities are subcontracted with significant risks being passed down to the subcontractors involved.

Before engaging in new contracts, the Company undertakes appropriate compliance checks on prospective clients, partners and other key stakeholders in line with the group's corporate compliance programme requirements. The Company also checks credit score or similar reviews via reputable credit check agencies. Once contracts have been signed, the Company continues to perform these reviews.

As the Company makes investments which are non-current in nature the Company manages its liquidity risks through management of cashflows and where necessary access to funds from its parent company or the wider Bouygues group.

Key performance indicators

The Company's management regard the level of revenue and profit before tax as the key indicators of the Company's financial performance. These are monitored on a regular basis to assess whether the Company is achieving the targets set. These indicators are presented within the financial statements.

By order of the board

P. Prongue

P Prongue
Director

Becket House
1 Lambeth Palace Road
London SE1 7EU

7 June 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BY DEVELOPMENT LIMITED

Opinion

We have audited the financial statements of BY Development Limited (the company) for the year ended 31 December 2022 which comprise the Statement of Profit and Loss, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and the related notes 1 to 24, 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 company's affairs as at 31 December 2022 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 below. 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 the period to 30 June 2024.

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, 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 this report, we do not express any form of assurance conclusion thereon.

Other information *(continued)*

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.

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 set out on page 2, 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.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety, United Kingdom construction quality standards (including those related to fire safety), data protection and anti-bribery and corruption.
- We understood how the company is complying with those frameworks by making enquiries of management, those charged with governance and other key personnel responsible for legal and compliance procedures, in particular, the Company Secretaries of the company and the immediate parent company, to understand how the company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiry of members of senior management, and where appropriate, those charged with governance regarding their knowledge of any non-compliance or potential non-compliance with laws and regulations that could affect the financial statements, and reading minutes of meetings of those charged with governance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by considering the risk of management override and by assuming revenue recognition calculated on a percentage of completion basis on long term revenue contracts to be a fraud risk (through manipulation of results). This might occur through the recognition of unapproved variations and change orders, under- estimating costs to complete on contracts in order to inflate contract margins or to reduce losses or using inappropriate estimates relating to contract provisions. Where the risk of management override was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included incorporating data analytics into our testing of manual journals. We tested specific transactions back to source documentation or independent confirmation, addressing the appropriateness of initiation and authorisation of the transactions. We also performed a risk assessment of the population of revenue contracts and selected a sample of higher-risk (value and/or complexity) contracts. For the sample selected, we obtained an understanding of the contract terms and considered key operational or commercial/financial issues and significant judgements that impacted the contract position and the appropriateness of revenue recognised at 31 December 2022. These procedures were designed to provide reasonable assurance that the financial statements were free from material fraud and error.

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.

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

Adrian Mulea (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

8 June 2023

Statement of profit and loss
for the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	3	**120,868**	148,523
Cost of sales		**(118,149)**	(147,497)
Gross profit		**2,719**	1,026
Other operating income	4	**2,105**	-
Other operating expenses	4	**(2,105)**	-
Administrative expenses		**(53)**	(51)
Operating profit	5	**2,666**	975
Dividends receivable and similar income	8	**1,502**	-
Interest receivable and similar income	9	**461**	1,338
Interest payable and similar charges	10	**(905)**	(2,178)
Profit before tax		**3,724**	135
Income tax credit/(charge)	11	**24**	(29)
Profit for the year	21	**3,748**	106

The results in the statement of profit and loss relate to continuing operations.

The notes on pages 14 to 29 form part of these Financial Statements.

Statement of comprehensive income
for the year ended 31 December 2022

	Note	**2022** **£000**	2021 £000
Profit for the year	*21*	**3,748**	106
Total comprehensive income for the year		**3,748**	106

The notes on pages 14 to 29 form part of these Financial Statements.

Statement of changes in equity
for the year ended 31 December 2022

	Called up share capital £000	*Retained earnings £000*	*Total Equity £000*
At 1 January 2021	-	1,069	1,069
Profit for the year	-	106	106
Total comprehensive income for the year	-	106	106
At 31 December 2021	-	1,175	1,175
Profit for the year	-	3,748	3,748
Total comprehensive income for the year	-	**3,748**	**3,748**
Dividends declared		(3,736)	(3,736)
At 31 December 2022	-	**1,187**	**1,187**

Equity dividends of £3,736k were declared on 28 December 2022 (*2021: £nil*). This represents a dividend of £1,868k per share.

The notes on pages 14 to 29 form part of these Financial Statements.

Statement of financial position
at 31 December 2022

	Note	2022 £000	2021 £000
Non-current assets			
Right-of-use assets	*12*	**99**	89
Investments	*13*	**388**	2,605
Loans receivable	*14*	**17,188**	18,229
		17,675	20,923
Current assets			
Inventories	*15*	**2,630**	982
Debtors	*16*	**9,140**	8,029
Cash and cash equivalents	*17*	**3,053**	14,646
		14,823	23,657
Current liabilities			
Creditors	*18*	**(31,207)**	(43,311)
Lease obligations		**(65)**	(43)
Net current liabilities		**(16,449)**	(19,697)
Total assets less current liabilities		**1,226**	1,226
Non-current liabilities			
Lease obligations	*19*	**(39)**	(51)
Net assets		**1,187**	1,175
Capital and reserves			
Called up share capital	*20*	**-**	-
Retained earnings	*21*	**1,187**	1,175
Total equity		**1,187**	1,175

These financial statements were approved and authorised by the board of directors on 7 June 2023 and were signed on its behalf by:

P. Prongue

P Prongue
Director

The notes on pages 14 to 29 form part of these Financial Statements.

Notes
(forming part of the financial statements)

1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of BY Development Limited (the "Company") for the year ended 31 December 2022 were authorised for issue by the board of directors on the date shown on the statement of financial position. BY Development Limited is a private company, limited by shares, incorporated and domiciled in England and Wales. The registered address of the Company is Becket House, 1 Lambeth Palace Road, London, United Kingdom, SE1 7EU.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in Sterling which is also the functional currency and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Bouygues SA.

The results of the Company are included in the consolidated financial statements of Bouygues SA which are available from 32 Avenue Hoche, 75008, Paris, France.

The principal accounting policies adopted by the Company are set out in note 2.

2 Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which were applied in preparing the financial statements for the year ended 31 December 2022.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based Payment*, on the basis that the Company is a subsidiary and the share-based payment arrangement concerns the instruments of another group entity;

b) 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;*

c) the requirements of paragraphs 33(c) of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*;

d) the requirements of IFRS 7 *Financial Instruments: Disclosures*;

e) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;

f) the requirements of the second sentence of paragraph 110 and paragraphs 113(a) 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*;

g) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:

   i.) Paragraph 79(a)(iv) of IAS 1;
   ii.) Paragraph 73(e) of IAS 16 *Property, Plant and Equipment*;
   iii.) Paragraph 118(e) of IAS 38 *Intangible Assets*;
   iv.) Paragraphs 76 and 79(d) of IAS 40 *Investment Property*; and
   v.) Paragraph 50 of IAS 41 *Agriculture.*

h) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*;

i) the requirements of IAS 7 *Statement of Cash Flows;*

Notes *(continued)*

2 Accounting policies *(continued)*

Basis of preparation (continued)

j) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;

k) the requirements of paragraphs 17 and 18A of IAS 24 *Related Party Disclosures*;

l) the requirements of IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

m) the requirements of paragraphs 130(f) (ii), 130(f) (iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*; and

n) the requirements of paragraphs 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS16 *Leases*.

Going concern

The financial statements have been prepared on a going concern basis.

The directors have considered the impact inflation, availability of labour and materials as well as the conflict in Ukraine may have on the Company and prepared cashflow forecasts for the period to 30 June 2024. The Company's approach of making investments in project companies, which are non-current in nature, means that the Company has a net current liabilities position as at 31 December 2022.

As a result, the Company is dependent on the support of its parent undertaking Bouygues UK and has received written confirmation that this financial support would be provided for a period of at least 12 months from the date of approval of the financial statements of the Company.

Bouygues UK has carried out its own assessment of going concern covering the period to 30 June 2024 considering the impact inflation, availability of labour and materials, the conflict in Ukraine and the risk of post completion liabilities arising from recent legislative changes relating to building safety may have. Downside sensitivities have been applied to the Bouygues UK cashflow forecasts and even in the unlikely scenario that there is a prolonged decrease in demand for construction services, continued impact of post completion liabilities and that the major contracts that Bouygues UK is targeting do not proceed, the parent undertaking still has adequate resources to continue operations (including the provision of necessary financial support to the Company) for the foreseeable future. The directors conclude therefore, that adopting the going concern basis of accounting in preparing the Company's annual financial statements is appropriate.

Judgements and key sources of estimation uncertainty

Preparing financial statements requires the use of estimates and assumptions which may have affected the amounts reported for assets and liabilities at the end of the reporting period, and the amounts of income and expenses reported for the financial year. Those estimates and assumptions have been applied consistently on the basis of past experience and of various other factors regarded as reasonable forming the basis of assessments of the valuations of assets and liabilities for accounting purposes. Actual results may differ materially from these estimates if different assumptions or conditions apply. The main areas in which estimates, and assumptions are involved are as follows:

<u>Impairment of assets</u>
The Company makes estimates in assessing the value of assets including investments, loan receivables and related interest, trade debtors and contract assets at each reporting date. The Company makes estimates of recoverable amounts in order to determine the extent of any impairment losses. Further details are set out in the accounting policies below.

Notes *(continued)*

2 Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty (continued)

Accounting for construction contracts

The Company makes estimates of the total selling price and costs to complete on construction contracts which impact the level of revenue, profits and losses recognised. Further details are set out in the accounting policies below.

Accounting for development inventories

The Company makes estimates of the net realisable value and costs to complete of development inventories which impact the level of profit and losses recognised. Further details are set out in the accounting policies below.

Accounting for loans receivable and related interest income

The Company assesses the recoverability of loans receivable and related income from investee companies by reference to the expected financial performance and cash flows from those companies. Further details are set out in the accounting policies below.

Accounting policies and valuation methods

2.1 Assets

a) Non-current assets

Right-of-use assets and lease liabilities

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. At inception and on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Company as a lessee

The Company leases land whilst developments are in progress. Rental contracts are made for periods of up to four years and may contain extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions.

The Company recognises a right-of use asset, representing its right to use the underlying asset and a corresponding lease liability, representing its obligation to make lease payments, at the lease commencement date. Commencement date is considered to be the date at which the asset is made available to the Company. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset or the site on which it is located, less any incentives received.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Notes *(continued)*

2 Accounting policies *(continued)*

2.1 Assets (continued)

Company as a lessee (continued)

The Company has elected to separate lease and non-lease components included in lease payments for all leases. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, which are initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price of a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is presented separately in the statement of financial position, displaying its current and non-current portions separately.

Financial assets:

Financial assets are classified upon initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) or fair value through profit and loss. The classification at initial recognition depends on the financial assets cash flow characteristics and the Company's business model for managing them.

Investments in long-term investment securities
Investments in long-term investment securities are recognised at fair value in the statement of financial position, with the exception of equity holdings in group undertakings, joint ventures and associates, including investments in limited liability partnerships, which are recognised at cost less accumulated impairment losses.

Changes in fair value are recognised either in profit and loss for the period or through OCI based on an irrevocable election made on a case by case basis upon initial recognition. Where an election is made to recognise changes in fair value through OCI and the asset is subsequently derecognised any changes in fair value previously recognised in OCI are not recycled to profit and loss.

Income from investments is recognised in the statement of profit and loss when the right to receive the distribution is established.

Long-term loans receivable
Long-term loans are carried at amortised cost. Where appropriate, an impairment loss is recognised in profit and loss upon initial recognition, reflecting the expected default risk in the next 12 months. Loans including interest amounts capitalised are reviewed regularly for indicators of impairment and impairment losses recognised in the statement of profit and loss as soon as they arise.

Notes *(continued)*

2 Accounting policies *(continued)*

Accounting policies and valuation methods (continued)

b) <u>*Current assets*</u>

Inventories

Development inventories relate to units under construction that are unsold as at the balance sheet date and are stated at the lower of cost and net realisable value. Where the net realisable value of inventories is lower than cost an impairment loss is recognised.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. The Company identifies expected credit losses and changes in those expected credit losses at each reporting date in order to reflect changes in credit risk arising subsequent to initial recognition. Trade receivables are essentially short term and are carried at face value net of impairment allowances recorded to reflect the probability of recovery.

In line with the percentage of completion method of accounting for long-term contracts, trade receivables include:

- Invoices issued as works are executed or services provided, and accepted by the customer; and
- Unbilled receivables, arising where works have been carried out but billing or acceptance by the customer has been temporarily delayed or is not yet due.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments with maturities of three months or less.

Because of the short-term nature of these items, the carrying amounts shown in the financial statements are a reasonable estimate of market value.

2.2 ***Liabilities and shareholders' equity***

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit and loss or as measured at amortised value.

a) <u>*Non-current liabilities*</u>

Lease liabilities

The accounting treatment of lease liabilities is outlined under the heading Right-of-use assets and lease liabilities.

b) <u>*Current liabilities*</u>

Trade and other payables

Because of the short-term nature of these liabilities, the carrying amounts shown in the financial statements are a reasonable estimate of market value.

Notes *(continued)*

2 Accounting policies *(continued)*

Accounting policies and valuation methods (continued)

2.3 Statement of profit and loss

a) *Revenue*

Revenue is measured at the fair value of the consideration received or receivable, excluding VAT. The Company recognises revenue when:

- a contract with the customer containing performance obligations is identified
- the transaction price is determined and assigned to the performance obligations
- performance obligations have been met
- economic benefits arise from the performance obligations being achieved
- the amount concerned can be reliably measured; and
- it is likely that the amount recognised will be recovered

Currently, all contracts entered into have one performance obligation.

b) *Accounting for construction contracts*

All activities related to construction contracts are accounted for using the percentage of completion method to reflect recognition of revenue over time.

Under this method, the revenue recognised equals the latest estimate of the total selling price of the contract multiplied by the actual completion rate determined by reference to the physical state of progress of the works. The latest estimate of the total selling price takes account of claims accepted by the customer. If it is regarded as probable that a contract will generate a loss on completion based on the level of unavoidable costs to be incurred, a provision for expected losses on completion is recognised as a current provision in the balance sheet. The loss is provided for in full as soon as it can be reliably measured, irrespective of the completion rate.

If the value of construction services rendered by the Company exceed amounts invoiced to the customer a contract asset is recognised. If amounts invoiced to the customer exceed the value of services rendered, a contract liability is recognised.

c) *Other operating income*

Other operating income relates to Government grants. Grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. Grants related to expense items are presented under other operating income on a systematic basis over the periods that the related costs for which they are intended to compensate, are expensed.

d) *Operating profit/loss*

Operating profit/loss represents the net amount of all income and expenses not generated by financing activities and excludes corporation tax.

e) *Dividends receivable and similar income*

Dividends and similar income are recognised when the Company's right to receive payment is established.

Notes *(continued)*

2 Accounting policies *(continued)*

Accounting policies and valuation methods (continued)

g) <u>Interest receivable and payable</u>

Interest receivable and similar income includes interest receivable on loans to investee companies. Interest income is recognised in the profit and loss as it accrues subject to a test to ensure recoverability.

Interest payable and similar expenses include interest payable on borrowings and associated ongoing financing fees. Borrowing costs are recognised as an expense in the profit and loss using the effective interest method.

2.4 Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised on all differences between the carrying amount and the tax base of assets or liabilities (balance sheet liability method). These differences arise from:

- Temporary differences between the carrying amount and tax base of assets or liabilities, which may be:
    - items generating a tax liability in the future (deferred tax liabilities), arising mainly from income that is liable to tax in future periods; or
    - items deductible from taxable profits in the future (deferred tax assets). Deferred tax assets are reviewed at the end of each reporting period and recognised where it is probable there will be sufficient taxable profits to enable the temporary differences to be offset.
- Tax losses available for carry-forward (deferred tax assets), provided, that there is a strong probability of recovery in future periods.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise, income tax is recognised in the statement of profit and loss.

2.5 Dividends on shares presented within equity

Dividends are only recognised as a liability to the extent that they are appropriately authorised by the Company.

Notes *(continued)*

3 Analysis of revenue on ordinary activities before taxation

	2022 Turnover £000	2021 Turnover £000
By activity		
Construction services	**120,868**	148,523
	120,868	148,523
By geographical market		
United Kingdom	**120,868**	**148,523**
	120,868	**148,523**

Assets and liabilities related to contracts with customers:

The Company has recognised the following assets and liabilities related to contracts with customers:

	2022 £000	2021 £000
Contract assets	**5,064**	1,808
Contract liabilities	**9,567**	30,529

Significant changes in contract assets and liabilities

Contract assets and liabilities reflect the level of revenue generating effort compared with agreed invoicing arrangements with customers. Fluctuations year-on-year are influenced by changes in invoicing arrangements, as well as the unwinding of timing differences as work is completed and invoices raised.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2022 £000	2021 £000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Construction services	**22,973**	20,552

Notes *(continued)*

4 Other operating income

	2022	2021
	£000	£000
Government grant income	**2,105**	-

Grant income relates to recovery of costs incurred on corrective works recorded under other operating expenses.

5 Operating Profit

	2022	2021
	£000	£000
This is stated after charging:		
Depreciation of right of use assets (see note 12)	**54**	42

Auditors' remuneration:

	2022	2021
	£000	£000
Audit of these financial statements	**35**	33
Audit of financial statements of subsidiaries pursuant to legislation	**10**	10

There were no fees for non-audit services paid to the auditors during the year *(2021: £nil)*.

6 Directors' Remuneration

No remuneration is payable by the Company to the Directors in respect of qualifying services provided to the Company or its subsidiaries. *(2021: £nil)*

7 Staff numbers and costs

The company had no employees during the year *(2021: £nil)*.

Notes *(continued)*

8 Dividends receivable and similar income

	2022 £000	2021 £000
Dividend income from subsidiaries/joint ventures	**199**	-
Distributions from associate LLPs	**1,303**	-
	1,502	-

9 Interest receivable and similar income

	2022 £000	2021 £000
Bank and other interest receivable	**421**	1,330
Interest receivable from group undertakings	**40**	8
	461	1,338

Interest income is recognised subject to a test of recoverability at the point of recognition.

10 Interest payable and similar charges

	2022 £000	2021 £000
Payable to group undertakings	**4**	1
Interest expense on lease liabilities	**3**	3
Other interest payable	**898**	2,174
	905	2,178

Notes *(continued)*

11 Income Tax

Income tax (credit)/charge in the statement of profit and loss

	2022 £000	2021 £000
Current tax:		
Current tax on income for the year	-	26
Adjustment in respect of previous years	**(24)**	3
Total current tax	**(24)**	29
Deferred tax:		
Origination and reversal of temporary differences	-	-
Total deferred tax charge	-	-
Tax (credit)/charge in the statement of profit and loss	**(24)**	29

Factors affecting the tax charge for the current year

The tax charge for the year is different from the rate of corporation tax in the UK for the year of 19% *(2021: 19%)*. The differences are explained below.

	2022 £000	2021 £000
Total current income tax reconciliation:		
Profit before tax	**3,724**	135
Tax calculated at UK rate of corporation tax of 19% *(2021: 19%)*	**708**	26
Effects of:		
Dividends receivable not taxable	**(38)**	-
Group relief for nil consideration	**(670)**	-
Adjustment in respect of previous years	**(24)**	3
Total tax (credit)/charge reported in the statement of profit and loss (see above)	**(24)**	29

Notes *(continued)*

11 Income Tax *(continued)*

Factors that may affect future tax charges

The Company's tax charge may benefit in the future from group relief receivable from other group entities in the UK. This will depend on the availability of losses and the tax position of these other entities.

Deferred tax assets have not been recognised on tax losses arising where there is uncertainty as to value where such losses are surrendered to other group entities or as to when the underlying timing differences will reverse against future taxable profits. At 31st December 2022 there were unrecognised deferred tax assets of £1k *(2021: £1k)*.

During 2020 the UK Government announced that the UK Corporation Tax Rate would increase from 19% to 25% on 1 April 2023. This change was substantively enacted on 24 May 2021 and the effect is included where appropriate in these financial statements.

12 Right-of-use assets

	Buildings £000	Total £000
Carrying value		
At beginning of the year	89	89
Additions	64	64
Depreciation	(54)	(54)
At 31 December 2022	99	99
At 31 December 2021	89	89

13 Investments

	Investments in group undertakings	Other unlisted investments	Total
	£000	£000	£000
Cost/Fair Value			
At beginning of year	4	2,601	2,605
Decrease in investments	-	(2,217)	(2,217)
At 31 December 2022	**4**	**384**	**388**
At 31 December 2021	4	2,601	2,605

The decrease in investments of £2,217k during the year related to the repayment of the capital contributions by HSU JV LLP (*2021: £nil*).

Notes *(continued)*

13 Investments (continued)

The companies in which the Company's direct interest at the year-end is 20% or more are as follows:

	Country of incorporation	Principal activity	Percentage of voting rights and shares held
Subsidiary undertakings:			
Hallmark – BY Development Limited	England	Property Development	100%
BYD CR Holdco Ltd	England	Holding Company	100%
Uliving Limited	England	Dormant	100%
Hallsville Quarter (Phase 2) Residents Company Ltd	England	Dormant	100%*
Hallsville Management Company Ltd	England	Dormant	80%*
Essex 3 Limited	England	Property Development	100%
Joint Ventures:			
Bouygues Development - Leadbitter Limited	England	Dormant	50%
Luton Street Development LLP	England	Property Development	50%**
Associates			
Bedford Riverside Regeneration Limited	England	Property Development	25%
HSU JV LLP	England	Property Development	20%**

* Company limited by guarantee
**Limited liability partnership – interest held is in the form of partners' capital rather than shares

All the companies and LLPs listed above have the same registered address as the Company.

14 Loans receivable

	£000
At beginning of year	18,229
Additions	2,879
Repayments	(3,920)
At 31 December 2022	17,188

Loans are made to provide working capital to investee companies.

15 Inventories

	2022 £000	2021 £000
Development inventories	**2,630**	982
	2,630	982

Notes *(continued)*

16 Debtors

	2022 £000	2021 £000
Trade debtors	**2,070**	3,989
Prepayments and accrued income	**6,237**	2,298
Prepayments and accrued income – group undertakings	**3**	1,742
VAT receivable	**830**	-
	9,140	8,029

Included within prepayments and accrued income are contract assets of £5,064k *(2021:* £1,808k*)*.

17 Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	**9**	36
Short term deposits	**3,044**	14,610
	3,053	14,646

18 Creditors - current

	2022 £000	2021 £000
Trade creditors	**31**	213
Amounts owed to group undertakings	**5,346**	5,231
Accruals and deferred income	**10,667**	31,240
Accruals and deferred income – group undertakings	**10,067**	1,981
Corporation tax payable	**-**	26
VAT payable	**-**	177
Other creditors	**5,096**	4,443
	31,207	43,311

£3,694k *(2021:* £3,694k*)* included within other creditors relates to overage payable in connection with development projects.

Included within accruals and deferred income are contract liabilities of £9,567k *(2021:* £30,529k*)*.

Notes *(continued)*

19 Lease liabilities – non-current

	2022 £000	2021 £000
Lease liabilities	**39**	51
	39	51

Lease liabilities falling due after more than five years are £nil *(2021: £nil)*.

20 Called up share capital

	2022 £	2021 £
Authorised, allotted, called up and fully paid		
Ordinary shares of £1 each – 2 shares	**2**	2
	2	2

21 Reserves

	Retained earnings £000	Total £000
At 1 January 2022	1,175	1,175
Profit for the year	3,748	3,748
Dividends declared	(3,736)	(3,736)
At 31 December 2022	**1,187**	**1,187**

22 Commitments

At 31 December 2022 the Company had commitments in relation to additional investments in subsidiaries and joint ventures amounting to £3,410k *(2021: £2,027k)*.

Notes *(continued)*

23 Related party transactions

The Company entered into transactions during the year with related companies as follows:

Bedford Riverside Regeneration Limited

At 31 December 2022 £65k *(2021: £65k)* was included in creditors relating to amounts due from the Company to Bedford Riverside Regeneration Limited.

New Bath Court Limited

The Company's turnover from development management services during the year ended 31 December 2022 with New Bath Court Limited, which is wholly owned by HSU JV LLP was £866k *(2021: £nil)*.

At 31 December 2022 £nil *(2021: £993k)* relating to New Bath Court Limited was included in deferred income.

Luton Street Development LLP

The Company's turnover from construction services during 2022 with Luton Street Development LLP was £12,535k *(2021: £33,447k)*.

At 31 December 2022 £1,067k relating to Luton Street Development LLP was included in deferred income (*2021: £1,739k accrued income*)

At 31 December 2022 loans to Luton Street Development LLP were £5,901k *(2021: £3,874k)*.

Canterbury Riverside Propco Limited

The Company's turnover from construction services during 2022 with Canterbury Riverside Propco Limited which is an associate entity of BYD CR Holdco Limited was £667k *(2021: £23,610k)*.

At 31 December 2022 £568k (*2021: £1,167k*) relating to Canterbury Riverside Propco Limited was included in deferred income.

24 Ultimate parent company and parent undertaking of smallest group of which the Company is a member

The Company is a subsidiary undertaking of Bouygues SA which is the ultimate parent company and controlling party, incorporated in France.

The largest group in which the results of the Company are consolidated is that headed by Bouygues SA. The consolidated financial statements of the group are available to the public and may be obtained from 32 Avenue Hoche, 75008, Paris, France.

The smallest group in which the results of the Company are consolidated is that headed by Bouygues Construction SA. The consolidated financial statements of the group are available to the public and may be obtained from 1 avenue Eugene Freyssinet, 78061 Saint Quentin-en-Yvelines, Cedex, France.

The Company's immediate parent undertaking is Bouygues (U.K.) Limited, incorporated in England and Wales.