

AMEY DEFENCE SERVICES (HOUSING) LIMITED
(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

Annual Report and Financial Statements

For the year ended 31 December 2017



AMEY DEFENCE SERVICES (HOUSING) LIMITED
(former CARILLIONAMEY (HOUSING PRIME) LIMITED)
Annual report and financial statements for the year ended 31 December 2017

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AMEY DEFENCE SERVICES (HOUSING) LIMITED
(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Lumby (resigned 29 August 2018)
A Hayward (resigned 6 January 2017)
A Parker (resigned 27 September 2017)
W Robertson (resigned 28 April 2017)
R Ward
K Booth (appointed 7 January 2017) (resigned 29 June 2018)
D Trotter (appointed 25 January 2017) (resigned 29 September 2017)
N Maggs (appointed 26 June 2017)
P Shepley (appointed 27 September 2017) (resigned 31 October 2017)
A Fisher (appointed 10 October 2017)

COMPANY SECRETARY

A Shepley (resigned 29 August 2018)
Sherard Secretariat Services Limited (appointed 29 August 2018)

REGISTERED OFFICE

The Sherard Building
Edmund Halley Road
England
OX4 4DQ

BANKER

The Royal Bank of Scotland
Liverpool Group of Branches
1 Dale Street
Liverpool
L2 2PP

AUDITOR

Deloitte LLP
Statutory Auditor
Reading
RG1 3BD
United Kingdom

AMEY DEFENCE SERVICES (HOUSING) LIMITED
(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

STRATEGIC REPORT

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of facilities management and building maintenance.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Turnover for the year was £186.8 million (year ending 31 December 2016: £168.0 million) and loss before tax was £1.7 million (year ending 31 December 2016: Loss £0.1 million). The increase in turnover is primarily associated with a higher level of upgrade expenditure. The loss in the year was caused by an impairment charge of £7.4m associated with the cessation of an IT development project.

The Company's balance sheet is shown on page 10. This shows net assets decreasing from £15.5 million to £14.1 million.

The Company's services contract started formally on 1 November 2014 when the management and maintenance of over 4,800 dwellings commenced in Scotland and Northern Ireland. The number of dwellings increased to 49,300 when properties in England and Wales came within the scope of this new contract from 1 December 2014.

As with all contract-related activities, the key risks revolve around completing the deliverables on time and to the standards required by the client. Meeting the performance obligations in the contract will enable the Company to mitigate these risks and avoid any significant financial penalty and any damage to the reputation of itself and its investors.

The initial order book value of the award was expected to be in the region of £0.6bn over the initial five year period which ends on 31 October 2019.

KEY PERFORMANCE INDICATORS

The key risks revolve around completing the contract on time and to the standards required by the client. The primary contract Key Performance Indicators covers performance on response maintenance, statutory compliance and preparing properties for occupation. These are reviewed monthly with the client and result in a payment retention when performance falls below the standard required. Retentions applied previously to the current period are also reviewed to assess their eligibility for reimbursement. Meeting the KPI's in the contract will enable the Company to mitigate the KPI risk and avoid any significant financial penalty and any damage to the reputation of itself and its investors. The contract performed to a level that resulted in minimal KPI penalties in 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

Financial Risks

The Company's principal financial risk is linked to liquidity and working capital management. Credit risk relates principally to the loss of a Supply Chain member on operational sites. This is managed through regular review meetings, a formalised assessment process and where required development and monitoring of improvement plans.

Carillion PLC Liquidation

The risk associated with the post year end Carillion Plc liquidation has been managed with no adverse impact to the company's operations and cashflow.

AMEY DEFENCE SERVICES (HOUSING) LIMITED
(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Brexit

The stakeholders involved in the delivery of the company's contractual obligations are confined to the UK, therefore there is minimal risk going forward associated with Brexit.

Competitor Risk

There are a number of other companies that provide services that are similar to those of the Company with the result that they could succeed in displacing the Company at some point in the future resulting in a loss of revenue and associated margin. This risk is managed through meeting the contracts performance KPI's.

FUTURE DEVELOPMENTS

The general level of activity is forecast to remain consistent with that seen in 2017. Volumes of project work remain healthy but are continuously subject to available funding from the Ministry of Defence.

POST BALANCE SHEET EVENTS

On the 15 January 2018, a joint venture partner, Carillion Plc, went into liquidation. On the 25 July 2018 all outstanding balances with Carillion Plc were settled in full.

On the 29 August 2018 Enterprise Managed Services Ltd, a fully owned subsidiary of Amey UK Plc acquired the entire share capital of the company.

On the 11 September 2018 the company changed its name from CarillionAmey (Housing Prime) Limited to Amey Defence Services (Housing) Limited.

On the 24 January 2018, the Company made a payment of £650,000 to Carillion Public Sector Pension Scheme in order to settle its proportion of the Schemes liabilities.

Approved by the Board of Directors
and signed by order of the Board:



R Ward

Director

24 SEPTEMBER 2018

AMEY DEFENCE SERVICES (HOUSING) LIMITED
(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

DIRECTORS' REPORT

The directors present their annual report on the affairs of Amey Defence Services (Housing) Limited (former CarillionAmey (Housing Prime) Limited), together with the financial statements and auditor's report, for the year ended 31 December 2017.

FUTURE DEVELOPMENTS AND POST BALANCE SHEET EVENTS

Details of future developments and post balance sheet events can be found in the Strategic Report and form part of this report by cross reference, as permitted by section 414C of the Companies Act 2006.

DIRECTORS

The directors who served during the year and up to the date of signing are shown on page 1. There were no director's indemnities in place during the year.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. Details of how these risks are mitigated can be found in the Strategic Report on pages 2-3.

RESULTS AND DIVIDENDS

The loss after tax for the year was £1.4 million (31 December 2016: Loss of £0.1 million). Dividends of £nil were paid in the year (year ending 31 December 2016: £nil). The directors do not recommend the payment of a final dividend.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings as well as the Company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

GOING CONCERN

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

EMPLOYMENT

It is the Company's policy to provide employees with relevant information on a regular basis and to seek their views on matters that concern them. The Company's aims, objectives and financial performance are communicated through management briefings and other less formal communications.

The Company's policy is to provide, whenever possible, employment opportunities for disabled people to encourage and assist their recruitment, training, career development and promotion, and to retain employees who become disabled. The Company also operates an equal opportunities policy.

AMEY DEFENCE SERVICES (HOUSING) LIMITED
(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

DIRECTORS' REPORT (continued)

AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP have been deemed re-appointed under section 487 of the 2006 Act.

Approved by the Board and signed on its behalf by:



R Ward

Director

24 SEPTEMBER 2018

AMEY DEFENCE SERVICES (HOUSING) LIMITED
(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMEY DEFENCE SERVICES (HOUSING) LIMITED (former CARILLIONAMEY (HOUSING PRIME) LIMITED)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended; have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Amey Defence Services (Housing) Limited (former CarillionAmey (Holding Prime) Limited) (the 'company') which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AMEY DEFENCE
SERVICES (HOUSING) LIMITED (former CARILLIONAMEY (HOUSING PRIME) LIMITED)**

(continued)

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.



Andrew Hornby FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Reading, UK

28 September 2018

AMEY DEFENCE SERVICES (HOUSING) LIMITED**(former CARILLIONAMEY (HOUSING PRIME) LIMITED)****PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2017**

	Note	Year ended 31 December 2017 £	Year ended 31 December 2016 £
TURNOVER	3	186,829,952	168,003,589
Cost of sales		(145,312,003)	(136,459,934)
GROSS PROFIT		41,517,949	31,543,655
Administrative expenses		(43,253,067)	(31,731,411)
OPERATING LOSS	4	(1,735,118)	(187,756)
Interest payable and similar expenses		(1,826)	(5,316)
Bank interest receivable and similar income		2,771	31,212
LOSS BEFORE TAXATION		(1,734,173)	(161,860)
Tax credit on loss	7	293,610	27,784
LOSS AFTER TAXATION		<u>(1,440,563)</u>	<u>(134,076)</u>

The above results all relate to continuing operations.

There was no other comprehensive income in the current or prior year other than that recognised in the Profit and loss account. Accordingly, a separate Statement of comprehensive income has not been presented.

The accompanying notes on pages 13-25 form an integral part of this profit and loss account.


AMEY DEFENCE SERVICES (HOUSING) LIMITED
(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

BALANCE SHEET
As at 31 December 2017

	Note	31 December 2017 £	31 December 2016 £
NON CURRENT ASSETS			
Intangible assets	8	5,192,218	15,731,069
Tangible assets	9	3,244,752	5,258,188
		<u>8,436,970</u>	<u>20,989,257</u>
CURRENT ASSETS			
Debtors	10	30,183,596	51,824,434
Cash at bank and in hand		17,793,886	51,046,551
		<u>47,977,482</u>	<u>102,870,985</u>
CREDITORS: amounts falling due within one year	11	(42,329,051)	(108,334,278)
NET CURRENT ASSETS/(LIABILITIES)		<u>5,648,431</u>	<u>(5,463,293)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,085,401</u>	<u>15,525,964</u>
NET ASSETS		<u>14,085,401</u>	<u>15,525,964</u>
CAPITAL AND RESERVES			
Called-up share capital	13	1,000	1,000
Profit and loss account	13	14,084,401	15,524,964
SHAREHOLDERS' FUNDS		<u>14,085,401</u>	<u>15,525,964</u>

These financial statements of Amey Defence Services (Housing) Limited (former CarillionAmey (Housing Prime) Limited), registered number 05428732, were approved and authorised for issue by the Board of Directors on 24 SEPTEMBER 2018.

Signed on behalf of the Board of Directors



Director

24 SEPTEMBER 2018

The accompanying notes on pages 13 - 25 form an integral part of this balance sheet.

AMEY DEFENCE SERVICES (HOUSING) LIMITED**(former CARILLIONAMEY (HOUSING PRIME) LIMITED)****STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017**

	Called-up share capital £	Profit and loss account £	Total £
At 31 December 2015	1,000	15,659,040	15,660,040
Total comprehensive income for the financial year	-	(134,076)	(134,076)
At 31 December 2016	1,000	15,524,964	15,525,964
Total comprehensive income for the financial year	-	(1,440,563)	(1,440,563)
At 31 December 2017	1,000	14,084,401	14,085,401

The accompanying notes on pages 13 - 25 form an integral part of this statement of changes in equity.

AMEY DEFENCE SERVICES (HOUSING) LIMITED**(former CARILLIONAMEY (HOUSING PRIME) LIMITED)****CASH FLOW STATEMENT****For the year ended 31 December 2017**

		Year ended 31 December 2017 £	Year ended 31 December 2016 £
Net cash flows from operating activities	15	(32,001,226)	29,775,082
Cash flows from investing activities			
Interest received		2,771	31,212
Fixed Asset Purchases		(1,252,384)	(8,343,012)
Net cash flows from investing activities		(1,249,613)	(8,331,800)
Cash flows from financing activities			
Interest payable		(1,826)	(5,316)
Net cash flows from financing activities		(1,826)	(5,316)
Net (decrease)/increase in cash and cash equivalents		(33,252,665)	21,457,966
Cash and cash equivalents at beginning of year		51,046,551	29,588,585
Cash and cash equivalents at end of year		17,793,886	51,046,551
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		17,793,886	51,046,551
Cash and cash equivalents		17,793,886	51,046,551

The accompanying notes on pages 13 - 25 form an integral part of this cash flow statement.

AMEY DEFENCE SERVICES (HOUSING) LIMITED

(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable law and United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current year and preceding year.

Accounting convention

The financial statements are prepared under the historical cost convention.

General information and basis of accounting

Amey Defence Services (Housing) Limited (former CarillionAmey (Housing Prime) Limited) ('the Company') is a private company, limited by shares and registered in England and Wales and incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Basis of preparation - Going concern

The performance, financial position and the key risks impacting the Company are detailed in the strategic report on page 2 to 3 and the directors' report on page 4. The Company performs essential maintenance services for Defence Infrastructure Organisation ("DIO") on a contract which has expanded in scope for 5 years from 1 November 2014.

Management is of the opinion that the Company will meet its performance obligations under the new contract, having successfully managed a similar set of obligations in previous years, and following the review by the Public Accounts Committee in 2016. The Company's forecasts and projections show that the Company should be cash positive.

The directors, in their consideration of going concern, have reviewed the current status of the contract with DIO and the Company's future cash forecasts and profit projections. Based on these negotiations, the forecasts and projections they believe that it is appropriate to prepare the financial statements of the Company on the going concern basis.

Tangible assets

Hardware and office equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Hardware and office equipment - depreciated from the date of implementation to the contract end date (October 2019)

The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of hardware is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and carrying amount of the asset and is recognised in income.

AMEY DEFENCE SERVICES (HOUSING) LIMITED

(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortisation is currently recognised on the following straight line bases:

Software – amortised from the date of implementation to the contract end date (October 2019) and is charged through administrative expenses within the profit and loss account.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

For more information on the intangible assets acquired in the year please see note 8.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Post-retirement benefits

The Company participates in both a defined benefit and contribution schemes for its directors and employees. The assets and liabilities of the defined benefit scheme are held separately from those of the Company in independently administered funds and the Company is unable to identify the component of the defined benefit scheme, Carillion Public Sector Pension Scheme, which exclusively relates to the Company. On this basis the defined benefit scheme has instead been accounted for as a defined contribution scheme, under the provisions of Section 28 FRS 102. On the 24th January 2018 the Company made a payment of £650,000 to the Carillion Public Sector Pension Scheme in order to settle the Company's proportion of the Scheme's liabilities. This value has been accrued for in the reported financial statements. This scheme closed to participating members during 2017.

AMEY DEFENCE SERVICES (HOUSING) LIMITED

(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Financial instruments

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

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

(i) *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

AMEY DEFENCE SERVICES (HOUSING) LIMITED

(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets and liabilities (continued)

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iii) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

AMEY DEFENCE SERVICES (HOUSING) LIMITED

(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

AMEY DEFENCE SERVICES (HOUSING) LIMITED

(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Revenue recognition

Revenue, all of which arises in the UK, is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. All revenue is derived from the Company's principal activity which is the provision of facilities management and building maintenance, which is undertaken through the long-term contract with the Ministry of Defence. Revenue is recognised in the period in which services are supplied. When revenue is recognised using estimates of percentage complete, that is calculated based on actual work performed and considering future cost to complete analysed by project managers.

Key source of estimation uncertainty – impairment of intangible assets

Determining whether intangible assets are impaired requires an estimation of their value in use to the Company. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the intangible asset and a suitable discount rate in order to calculate present value.

3. TURNOVER

Turnover represents amounts derived from the provision of services which fall within the Company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom, is attributable to the Company's principal activity. Turnover is recognised on the basis of work performed.

4. OPERATING LOSS

Loss before taxation is stated after charging:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Audit fees	32,960	32,960
Depreciation of tangible fixed assets (note 9)	2,013,436	1,305,485
Amortisation of intangible assets (note 8)	4,350,163	846,433
Impairment loss of intangible assets (note 8)	7,441,072	-
Operating lease rentals	2,888,159	2,305,342

Operating loss for the year is stated after charging audit fees in respect of the annual financial statements of £32,960 during the year (year ended 31 December 2016: £32,960). There were no non audit fees in the current year or prior year.

5. CONSTRUCTION CONTRACTS

During the year, revenue of £88,271,971 was recognised in relation to construction contracts (2016: £78,191,680). At 31 December 2017, £11,488,031 was due from customers and included in amounts recoverable on contract (2016: £22,607,137). At 31 December 2017, £nil was owed to customers in association with construction contracts (2016: £nil).

AMEY DEFENCE SERVICES (HOUSING) LIMITED**(former CARILLIONAMEY (HOUSING PRIME) LIMITED)****NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2017

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2017 No.	Year ended 31 December 2016 No.
Average number of persons employed (including directors)		
Management and administration	546	540
Direct operatives	45	67
	<u>591</u>	<u>607</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	18,860,141	18,818,806
Social security costs	1,853,431	1,836,263
Pension costs	590,631	596,624
	<u>21,304,203</u>	<u>21,251,693</u>

The directors did not receive any emoluments from the Company during the year (year ended 31 December 2016: £nil), these being borne by the JV partners.

Key management personnel are Directors of the Company and remuneration is borne by the JV partners.

AMEY DEFENCE SERVICES (HOUSING) LIMITED**(former CARILLIONAMEY (HOUSING PRIME) LIMITED)****NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2017

7. TAX ON PROFIT

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Current tax		
UK Corporation tax charge	-	10,291
Total Current Tax	-	10,291
Deferred tax		
Deferred tax credit	(293,610)	(38,075)
Total Deferred Tax	(293,610)	(38,075)
Total tax credit	(293,610)	(27,784)
The current tax credit for the year is lower than the standard rate of corporation in the UK of 19.25%. The differences are explained below.		
	£	£
Loss before tax	(1,734,173)	(161,860)
Tax thereon at 19.25% (year ended 31 December 2016: 20%)	(333,769)	(32,372)
Effects of:		
Expenses not (deductible)/income not taxable	1,358	340
Change of tax rate on opening deferred tax liability	-	(2,100)
Rate differential between current and deferred tax	38,801	(6,348)
Current tax credit for the year	(293,610)	(27,784)

The government has announced that the UK corporation tax rate will reduce to 17% by 1 April 2020. Reductions in the UK tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2016 and to 17% (effective 1 April 2020) was substantively enacted in September 2017. These reductions will further reduce the company's current tax charge.

AMEY DEFENCE SERVICES (HOUSING) LIMITED**(former CARILLIONAMEY (HOUSING PRIME) LIMITED)****NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2017

8. INTANGIBLE FIXED ASSETS

	Software £
Cost	
At 1 January 2017	16,577,502
Additions	1,252,384
	<u>17,829,886</u>
At 31 December 2017	<u>17,829,886</u>
Amortisation	
At 1 January 2017	(846,433)
Charge for the year	(4,350,163)
Impairment loss	(7,441,072)
	<u>(12,637,668)</u>
At 31 December 2017	<u>(12,637,668)</u>
Net book value	
At 31 December 2017	<u>5,192,218</u>
At 31 December 2016,	<u>15,731,069</u>

As at 31 December 2017, the company had not entered into any contractual commitments (2016: £nil).

9. TANGIBLE FIXED ASSETS

	Hardware and office equipment £
Cost	
At 1 January 2017	6,563,673
Additions	-
	<u>6,563,673</u>
At 31 December 2017	<u>6,563,673</u>
Depreciation	
At 1 January 2017	(1,305,485)
Charge for the year	(2,013,436)
	<u>(3,318,921)</u>
At 31 December 2017	<u>(3,318,921)</u>
Net book value	
At 31 December 2017	<u>3,244,752</u>
At 31 December 2016	<u>5,258,188</u>

As at 31 December 2017, the company had not entered into any contractual commitments (2016: £nil).

AMEY DEFENCE SERVICES (HOUSING) LIMITED**(former CARILLIONAMEY (HOUSING PRIME) LIMITED)****NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2017

10. DEBTORS

	31 December 2017	31 December 2016
	£	£
Amounts due within one year		
Trade debtors	-	2,326,657
Amounts owed by related parties	574,898	562,218
Amounts recoverable on contracts	28,511,025	44,385,631
Other debtors	718,727	517,641
VAT	-	3,852,605
Corporation tax	85,068	179,414
Deferred tax asset (see note 12)	293,878	268
	<u>30,183,596</u>	<u>51,824,434</u>

Amounts owed by related parties are non-interest bearing and repayable on demand.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2017	31 December 2016
	£	£
Trade creditors	1,949,746	1,598,044
Amounts owed to related parties (see note 14)	14,157,942	79,110,690
Other taxation and social security	2,854,280	427,709
Accruals	23,367,083	27,197,835
	<u>42,329,051</u>	<u>108,334,278</u>

Amounts owed to related parties are non-interest bearing and repayable on demand.

AMEY DEFENCE SERVICES (HOUSING) LIMITED

(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

12. DEFERRED TAX ASSET

	2017 £	2016 £
At 1 January	268	(37,807)
Credit to profit and loss (note 7)	293,610	38,075
At 31 December	<u>293,878</u>	<u>268</u>

Deferred tax

Deferred tax is recognised as follows:

	2017 £	2016 £
Accelerated capital allowances	79,689	268
Tax losses	70,070	-
Other timing differences	144,119	-
Deferred tax asset (note 10)	<u>293,878</u>	<u>268</u>

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

13. CAPITAL AND RESERVES

	31 December 2017 £	31 December 2016 £
Authorised		
500 ordinary 'A' shares of £1 each	500	500
250 ordinary 'B' shares of £1 each	250	250
250 ordinary 'C' shares of £1 each	250	250
	<u>1,000</u>	<u>1,000</u>
Called up, allotted and fully paid		
500 ordinary 'A' shares of £1 each	500	500
250 ordinary 'B' shares of £1 each	250	250
250 ordinary 'C' shares of £1 each	250	250
	<u>1,000</u>	<u>1,000</u>

All shares rank pari passu.

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

AMEY DEFENCE SERVICES (HOUSING) LIMITED**(former CARILLIONAMEY (HOUSING PRIME) LIMITED)****NOTES TO THE FINANCIAL STATEMENTS (continued)**

For the year ended 31 December 2017

14. RELATED PARTY TRANSACTIONS

During the year the Company incurred costs in relation to services including staff time, and other costs associated with the contract. The details of transactions were as follows:

	31 December 2017		31 December 2016	
	Purchases £	Year end creditor £	Purchases £	Year end creditor £
Amey Plc (Formerly Enterprise Ltd) and its subsidiaries	8,582,620	7,587,448	22,886,488	11,830,800
Carillion Plc and its subsidiaries	4,838,220	6,570,494	10,075,963	67,279,890
Total	13,420,840	14,157,942	32,962,451	79,110,690

Purchases within the year include intangible assets acquired from related parties, refer to note 8.

15. CASH FLOW STATEMENT

Reconciliation of operating loss to cash generated by operations:

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Operating loss	(1,735,118)	(187,757)
Adjusted for:		
Depreciation	2,013,436	1,305,485
Amortisation	4,350,163	846,433
Impairment loss	7,441,072	-
Operating cash flow before movement in working capital	12,069,553	1,964,161
Decrease/(increase) in debtors	21,840,103	(28,982,287)
(Decrease)/Increase in creditors	(66,008,469)	55,700,785
Taxation rebate	97,587	1,092,423
Net cash flows from operating activities	(32,001,226)	29,775,082

Non-cash transactions

Software and hardware additions of £1,252,384 in 2017 (2016: £1,064,792) were acquired on deferred payment terms, the settlement of which are still outstanding at the year end. This has been included in the movement in creditors section.

AMEY DEFENCE SERVICES (HOUSING) LIMITED

(former CARILLIONAMEY (HOUSING PRIME) LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2017

16. FINANCIAL INSTRUMENTS

The carrying amounts of financial assets that are debt instruments measured at amortised cost at 31st December 2017 are £718,727 (2016: £2,844,298).

The carrying amounts of financial liabilities that are debt instruments measured at amortised cost at 31st December 2017 are £1,949,746 (2016: £1,598,944).

The total interest income for financial assets that is not measured at fair value through the profit and loss account is £nil for the year (2016: £nil).

The total interest expense for financial liabilities that is not measured at fair value through the profit and loss account is £nil for the year (2016: £nil).

17. FINANCIAL COMMITMENTS, GUARANTEES AND CONTINGENCIES

The value of guarantees and contingencies not provided for is £nil (2016: £nil).

18. ULTIMATE CONTROLLING PARTY

During the year the Company was jointly controlled by two joint venture partners; Carillion Plc, whose principal place of business is at Carillion House, 84 Salop Street, Wolverhampton, West Midlands, WV3 0SR, England and Amey UK plc, through its subsidiary Enterprise Managed Services Limited, whose principal place of business is The Sherard Building, Edmund Halley Road, OX4 4DQ, England. The arrangement is such that neither party assumes dominant control. The ultimate parent company of Amey UK plc is Ferrovial S.A a company incorporated in Spain.

19. POST-BALANCE SHEET EVENTS

On the 15 January 2018, a joint venture partner, Carillion Plc, went into liquidation. On the 25 July 2018 all outstanding balances with Carillion Plc were settled in full.

On the 29 August 2018 Enterprise Managed Services Ltd, a fully owned subsidiary of Amey UK Plc acquired the entire share capital of the company.

On the 11 September 2018 the company changed its name from CarillionAmey (Housing Prime) Limited to Amey Defence Services (Housing) Limited.

On the 24 January 2018, the Company made a payment of £650,000 to Carillion Public Sector Pension Scheme in order to settle its proportion of the Schemes liabilities.