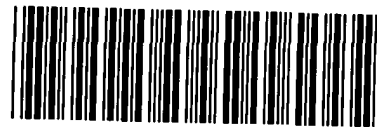


BY DEVELOPMENT LIMITED

Report and Financial Statements

31 December 2019

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Directors' report

The directors present their report for the year ended 31 December 2019.

Directors of the Company

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

- N Guerin
- A Boutrolle
- JL Midena
- O Soulier (resigned 3rd November 2019)
- F Viala

The Company Secretary is A Child.

Dividends

Dividends of £2,200k (2018: *£nil*) have been declared during the year.

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. The Company also enters into derivative transactions, principally interest rate hedging contracts. The purpose is to manage the interest rate risks arising from the Company's operations.

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

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.

Going concern (continued)

The directors have considered the impact the Covid-19 pandemic may have on the Company and prepared cashflow forecasts for the period to 31 August 2021. 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 2019. As a result the Company is dependent on the support of its parent undertaking and has received written confirmation that this financial support will continue for the foreseeable future.

The parent undertaking has carried out its own assessment of going concern considering the impact the Covid-19 pandemic may have. Downside sensitivities have been applied to its cashflow forecasts and even in the unlikely scenario that there is a prolonged decrease in demand for construction services and that the major contracts that the parent undertaking 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.

Post Balance Sheet Events

Subsequent to 31 December 2019, the World Health Organisation declared a pandemic due to the global outbreak of the coronavirus disease (Covid-19). The impact of Covid-19 on the public's health and the economy is rapidly evolving and has so far resulted in quarantines, restrictions on travel and business closures worldwide.

At the date of approving the financial statements, there has been no significant impact on the Company from the pandemic. The Company has sufficient funds to meet its obligations taking into account the financial support provided by its parent undertaking.

The effects of Covid-19 and the measures taken by the UK and other Governments continue to evolve and hence, whilst the directors consider the Company is able to meet its liabilities as they fall due it is not possible to fully quantify the full impact that Covid-19 will have on the Company. As the pandemic continues to spread, the resulting financial and economic market uncertainty could have a negative impact on the Company but the extent of this is highly uncertain and cannot be quantified.

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.

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' report *(continued)*

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


A Boutrolle
Director

Becket House
1 Lambeth Palace Road
London SE1 7EU

28 August 2020

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 group to deliver long term benefits in the communities where it operates.

Stakeholders

The Company, as a wholly owned subsidiary of the Bouygues 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.

The directors participate in a group wide approach to design and development partners with an established function which facilitates regular contact and provides continuous professional development opportunities for the Company's core supply chain.

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.

During the year the directors participated in and supported the implementation by the group of a new health, safety & environment plan and the introduction of a Health & Safety Week initiative focused on enhancing health and safety for supply chain partners and clients.

The directors have also participated in the group's "Responsible and Committed" programme focused on engagement with stakeholders and the environment.

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 Company implements procedures and awareness training which reflect the requirements of UK legislation such as the Bribery Act and Modern Slavery Act, as well as the wider group compliance procedures. 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 was £2,300k (2018: £348k loss). The financial position as at 31 December 2019 is shown in the Company's statement of financial position sheet on page 12.

The Company's core business during 2019 was property development.

Turnover for the year was £101,995k (2018: £100,533k). Activity has increased in the year due to the phasing of the projects being carried out by the Company. The profit before tax was £2,667k (2018: £273k loss) and reflects the profit on sale of an investment during the year as well as improved operating performance.

During the year the Company applied IFRS16 *Leases* for the first time. There is no material impact on these financial statements as a result of this new accounting standard.

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 credit score or similar reviews via reputable credit check agencies. Once contracts have been signed, the Company continues to perform these reviews.

The Company enters into variable interest rate transactions and as a result is exposed to risk arising from fluctuations in interest rates. The Company uses derivative contracts when appropriate to reduce exposure to variability in interest rates. Hedge accounting is used when certain criteria are met as explained in the accounting policy note 2.4.

Post Brexit, the Company is continuing to monitor risks in relation to the business environment and financial impact, in particular, the potential impact of no deal being reached. Measures are being taken to protect projects currently in progress and the Company will adapt as required, to new market conditions for future projects.

On 30 January 2020, the Company and its parent company Bouygues Construction were the target of a ransomware attack caused by malware. The Company and its parent company initially shut down their IT systems as a precaution to prevent the virus from spreading, and specific measures were taken to ensure business continuity. A number of hardware and software systems were put back into service very quickly. As these were being restored, the security of the entire IT system was strengthened with help from experts both within and outside the Bouygues Group. There was a very low impact on the operational and commercial activity of the business. The relevant insurance policies were activated and the attack has been referred to the appropriate regulatory authorities.

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

A Boutrolle
Director



Becket House
1 Lambeth Palace Road
London SE1 7EU

28 August 2020

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

Opinion

We have audited the financial statements of BY Development Limited for the year ended 31 December 2019 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 22, 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".

In our opinion, the financial statements:
give a true and fair view of the company's affairs as at 31 December 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

Emphasis of Matter – Disclosures in relation to the impact of COVID-19

We draw attention to Notes 2 and 21 of the financial statements, which describe the financial and operational consequences the Company is facing as a result of COVID-19 and the potential impact on the directors' assessment of the Company's ability to continue to operate as a going concern and the impact of subsequent events respectively. Our opinion is not modified in respect of this matter.

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.

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)*

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 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.

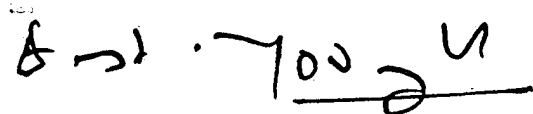
Auditor's responsibilities for the audit of the financial statements

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.

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.

A handwritten signature in black ink, appearing to read 'A. Mulea', with a horizontal line drawn underneath it.

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

1st September 2020

Statement of profit and loss
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Revenue	3	101,995	100,533
Cost of sales		(101,332)	(100,014)
Gross profit		663	519
Administrative expenses		(32)	(31)
Operating profit	4	631	488
Impairment of investment		-	(3,128)
Dividends receivable	7	-	2,441
Profit on disposal of investments		1,652	5
Interest receivable and similar income	8	1,076	836
Interest payable and similar charges	9	(692)	(915)
Profit /(Loss) before tax		2,667	(273)
Income tax charge	10	(367)	(75)
Profit /(Loss) for the year	18	2,300	(348)

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

The notes on pages 13 to 28 form part of these Financial Statements.

Statement of comprehensive income
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Profit/(Loss) for the year	<i>18</i>	2,300	(348)
Other comprehensive income:			
<u>Cash flow hedges:</u>			
Gain arising during the year		26	264
Other comprehensive income for the year, net of tax		26	264
Total comprehensive income for the year		2,326	(84)

The notes on pages 13 to 28 form part of these Financial Statements.

Statement of changes in equity
for the year ended 31 December 2019

	<i>Called up share capital £000</i>	<i>Cash flow hedge reserve £000</i>	<i>Retained earnings £000</i>	<i>Total Equity £000</i>
At 1 January 2018	-	(290)	1,317	1,027
Loss for the year	-	-	(348)	(348)
Other comprehensive income	-	264	-	264
Total comprehensive income for the year	-	264	(348)	(84)
At 31 December 2018	-	(26)	969	943
Profit for the year	-	-	2,300	2,300
Other comprehensive income	-	26	-	26
Dividends declared	-	-	(2,200)	(2,200)
Total comprehensive income for the year	-	26	100	126
At 31 December 2019	-	-	1,069	1,069

Equity dividends of £2,200k were declared on 23 December 2019 (2018:£nil). This represents a dividend of £1,100k per share.

The notes on pages 13 to 28 form part of these Financial Statements.

Statement of financial position
at 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Non-current assets			
Investments	11	1,098	1,469
Loans receivable	12	11,289	8,705
		<hr/>	<hr/>
		12,387	10,174
Current assets			
Inventories	13	-	9,355
Debtors	14	16,593	20,075
Cash and cash equivalents	15	29,020	7,581
		<hr/>	<hr/>
		45,613	37,011
Current liabilities			
Creditors	16	(56,931)	(46,242)
		<hr/>	<hr/>
Net current liabilities		(11,318)	(9,231)
		<hr/>	<hr/>
Total assets less current liabilities		1,069	943
		<hr/>	<hr/>
Net assets		1,069	943
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	-	-
Cash flow hedge reserve	18	-	(26)
Retained earnings	18	1,069	969
		<hr/>	<hr/>
Total equity		1,069	943
		<hr/>	<hr/>

These financial statements were approved and authorised by the board of directors on 28 August 2020 and were signed on its behalf by:

A Boutrolle
Director



The notes on pages 13 to 28 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 2019 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

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 the Covid-19 pandemic may have on the Company and prepared cashflow forecasts for the period to 31 August 2021. 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 2019. As a result the Company is dependent on the support of its parent undertaking and has received written confirmation that this financial support will continue for the foreseeable future.

The parent undertaking has carried out its own assessment of going concern considering the impact the Covid-19 pandemic may have. Downside sensitivities have been applied to its cashflow forecasts and even in the unlikely scenario that there is a prolonged decrease in demand for construction services and that the major contracts that the parent undertaking 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.

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 2019. During the year the Company implemented IFRS16 *Leases* for the first time. There is no material impact on the financial statements as a result of this new accounting requirement.

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;

Notes (continued)

2 Accounting policies (continued)

Basis of preparation (continued)

- 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*;
- 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; and
- 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*.

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:

Impairment of assets

The Company makes estimates in assessing the value of assets including investments, inventories, 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 relating to investments and to inventory. 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 and profits/losses recognised. Further details are set out in the accounting policies below.

Accounting policies and valuation methods

2.1 Assets

a) Non-current assets

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 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.

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.

Notes (continued)

2 Accounting policies (continued)

Accounting policies and valuation methods (continued)

b) Current assets

Inventories

Development inventories are stated at the lower of cost or market price. Where the realisable value of inventory 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. 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) Current liabilities

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.

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, 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 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 services rendered, a contract liability is recognised.

c) Sale of development inventories

Revenue arises from the sale by the Company of development inventories. The performance obligation under a sale agreement is for the seller to sell to a buyer at an agreed purchase price and deliver the development inventory at the completion date. The sale of development inventory constitutes a single performance obligation under the sale agreement and the Company has determined that this is satisfied at the point in time when control transfers to the buyer. This occurs when legal title transfers to the customer upon completion.

d) Dividends receivable

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

e) Operating profit/loss

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

Notes (continued)

2 Accounting policies (continued)

Accounting policies and valuation methods (continued)

2.4 Financial Instruments

The Company uses hedging instruments to limit the impact on the statement of profit and loss of fluctuations in interest rates. The Company's policy on the use of financial instruments is described below.

The only instruments used for hedging purposes are interest rate swaps.

These instruments:

- Are used solely for hedging purposes;
- Are contracted solely with high grade banks; and
- Carry no liquidity risk in the event of reversal.

a) Risks to which the Company is exposed, and principles applied to the management of those financial risks

Interest rate risk

The Company is exposed to interest rate risk in relation to a portion of its borrowings. There is a floating rate of interest on these borrowings.

Company policy is to hedge the exposure to interest rate risk by entering into swap contracts.

b) Hedge accounting policies and rules

Hedge accounting is applied where a derivative instrument wholly or partly offsets changes in the cash flows of a hedged item. To qualify for hedge accounting, financial instruments must meet the following conditions:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge the quantity of hedged item.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. Hedge effectiveness is assessed on a regular basis, at least once a quarter. If a hedging relationship cannot be demonstrated, all changes in fair value are recognised in profit and loss.

All derivative instruments are measured at fair value. Fair value is the quoted market price in the case of listed instruments, or is determined using calculation and valuation models based on market data (yield curves, exchange rates, etc.) in other cases.

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in the future cash flows from a hedged item or a future transaction.

Where a derivative instrument is used to hedge the exposure to variability in the cash flows from a firm commitment or a forecast transaction, the change in the fair value of the portion of the hedging instrument that is determined to be an effective hedge is recognised directly in OCI. The change in fair value of the portion of the hedge regarded as ineffective is recognised immediately in profit and loss.

Notes (continued)

2 Accounting policies (continued)

Accounting policies and valuation methods (continued)

2.5 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:
 - o items generating a tax liability in the future (deferred tax liabilities), arising mainly from income that is liable to tax in future periods; or
 - o 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.

2.6 Dividends on shares presented within equity

Dividends unpaid at the year end are only recognised as a liability to the extent that they are appropriately authorised and are no longer at the discretion of the Company.

Notes (continued)

3 Analysis of revenue on ordinary activities before taxation

	2019 Turnover £000	2018 Turnover £000
<i>By activity</i>		
Construction services	92,195	100,533
Sale of development inventories	9,800	-
	<u>101,995</u>	<u>100,533</u>
<i>By geographical market</i>		
United Kingdom	101,995	100,533
	<u>101,995</u>	<u>100,533</u>

Assets and liabilities related to contracts with customers:

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

	2019 £000	2018 £000
Contract assets	5,894	7,329
Contract liabilities	11,806	6,444

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.

	2019 £000	2018 £000
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Construction services	6,444	4,477

Notes *(continued)*

4 Operating Profit

2019	2018
£000	£000

This is stated after charging:

Auditors' remuneration:

2019	2018
£000	£000

Audit of these financial statements

34	25
<hr/>	<hr/>

There were no fees for non-audit services paid to the auditors during the year (2018: £nil).

5 Directors' Remuneration

No remuneration is payable by the Company to the Directors in respect of qualifying services provided to the Company or its subsidiaries. (2018: £nil)

6 Staff numbers and costs

The company had no employees during the year (2018: £nil).

7 Dividends receivable

2019	2018
£000	£000

Dividend income from investments

-	2,441
<hr/>	<hr/>

8 Interest receivable and similar income

2019	2018
£000	£000

Other interest receivable

1,076	836
<hr/>	<hr/>
1,076	836
<hr/>	<hr/>

Notes (continued)

9 Interest payable and similar charges

	2019 £000	2018 £000
Other interest payable	692	915

10 Income Tax

Income tax charged in the statement of profit and loss

	2019 £000	2018 £000
Current tax:		
Current tax on income for the year	383	81
Adjustment in respect of previous years	(16)	(6)
Total current tax	367	75
Deferred tax:		
Current year tax losses	-	-
Total deferred tax	-	-
Tax charge in the statement of profit and loss	367	75

Factors affecting the tax charge/(credit) 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% (2018: 19%). The differences are explained below.

	2019 £000	2018 £000
Total current income tax reconciliation:		
Profit/(Loss) before tax	2,667	(273)
Tax calculated at UK rate of corporation tax of 19% (2018: 19%)	507	(52)
Effects of:		
Dividend receivable not taxable	-	(464)
Tax losses utilised	(1)	-
Difference between accounting and taxable gains on sale of investments	(80)	-
Impairment and other costs not deductible for tax purposes	-	597
Group relief	(43)	-
Adjustment in respect of previous years	(16)	(6)
Total tax charge reported in the statement of profit and loss (see above)	367	75

Notes (continued)

10 Taxation (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 2019 there were unrecognised deferred tax assets of £nil (2018: £1k).

The UK corporation tax rate reduced to 19% on 1 April 2017 and was expected to reduce to 17% from 1 April 2020. During 2020 the Government announced that the expected tax rate reduction would not take place and that the tax rate would remain at 19%. This change was substantively enacted on 17 March 2020.

11 Investments

	Investments in group undertakings	Other unlisted investments	Total
	£000	£000	£000
<i>Cost/Fair Value, less impairment</i>			
At beginning of year	33	1,436	1,469
Additions	1,047	-	1,047
Disposals	-	(1,418)	(1,418)
At 31 December 2019	1,080	18	1,098
At 31 December 2018	33	1,436	1,469

The increase in investments in group undertakings relates to £1,047k of additional capital contributed to HSU JV LLP.

The disposal of investments relates to disposal of the Company's holding in Grip Unit Trust 6. Disposal proceeds were £3,070k.

Notes (continued)

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
<i>Subsidiary undertakings:</i>			
Hallmark – BY Development Limited	England	Property Development	100%
BYD CR Holdco Ltd	England	Holding Company	100%
Uliving Limited	England	Dormant	100%
Hallsville Quarter (Phase 1) Residents Company Ltd	England	Dormant	100%*
Hallsville Quarter (Phase 2) Residents Company Ltd	England	Dormant	100%*
Hallsville Management Company Ltd	England	Property Management	80%*
<i>Joint Ventures:</i>			
Bouygues Development – Leadbitter Limited	England	Dormant	50%
Luton Street Development LLP	England	Property Development	50%**
<i>Associates</i>			
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.

12 Loans receivable

	£000
At beginning of year	8,705
Additions	2,642
Repayments	(58)
At 31 December 2019	<u>11,289</u>

13 Inventories

	2019 £000	2018 £000
Development inventories	-	9,355
	<u>-</u>	<u>9,355</u>

Notes (continued)

14 Debtors

	2019 £000	2018 £000
Trade debtors	7,162	5,151
Amounts owed by group undertakings	68	2,447
Prepayments and accrued income	6,440	7,901
Prepayments and accrued income – group undertakings	1,746	1,807
Other debtors	1,177	2,769
	<u>16,593</u>	<u>20,075</u>

Included within debtors are contract assets of £5,894k (2018: £7,329k).

15 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	585	1,581
Short term deposits	28,435	6,000
	<u>29,020</u>	<u>7,581</u>

16 Creditors - current

	2019 £000	2018 £000
Trade creditors	5,629	5,588
Amounts owed to group undertakings	13,804	22,051
Accruals and deferred income	21,572	8,208
Accruals and deferred income – group undertakings	11,083	5,797
Financial instruments	-	26
Corporation tax payable	213	-
Other creditors	4,630	4,572
	<u>56,931</u>	<u>46,242</u>

£4,486k (2018: £4,486k) included within other creditors relates to overage payable in connection with development projects.

Included within creditors are contract liabilities of £11,806k (2018: £6,444k).

Notes (continued)

17 Called up share capital

	2019 £	2018 £
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each – 2 shares	2	2
	<hr/>	<hr/>
	2	2
	<hr/>	<hr/>

18 Reserves

	Cash flow hedge reserve	Retained earnings	Total
	£000	£000	£000
At 1 January 2019	(26)	969	943
Profit for the year	-	2,300	2,300
Dividends declared	-	(2,200)	(2,200)
Net movement on cash flow hedges	26	-	26
	<hr/>	<hr/>	<hr/>
At December 2019	-	1,069	1,069
	<hr/>	<hr/>	<hr/>

Cash flow hedge reserve

The cash flow hedge reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

19 Commitments

At 31 December 2019 the Company had commitments in relation to additional investments in joint ventures amounting to £5,901k (2018: £nil).

Notes (continued)

20 Related party transactions

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

Bedford Riverside Regeneration Limited

The Company's turnover from project management services during 2019 with Bedford Riverside Regeneration Limited was £17k (2018: £nil).

At 31 December 2019 £65k (2018: £65k) was due from the Company to Bedford Riverside Regeneration Limited.

Hallsville Management Company Limited

The Company's turnover from management services and associated charges during 2019 with Hallsville Management Company Limited was £25k (2018: £2k).

At 31 December 2019 £nil (2018: £nil) was due to the Company from Hallsville Management Company Limited.

New Bath Court Limited

The Company's turnover from construction services during 2019 with New Bath Court Limited, which is wholly owned by HSU JV LLP, was £14,213k (2018: £5,458k).

At 31 December 2019 £nil (2018: £1,230k) was due to the Company from New Bath Court Limited and £647k was included in deferred income (2018: £122k accrued income).

Luton Street Development LLP

The Company's turnover from construction and management services during 2019 with Luton Street Development Limited was £12,122k (2018: £nil).

At 31 December 2019 £1,155k (2018: £nil) was included in deferred income.

21 Post Balance Sheet Events

Subsequent to 31 December 2019, the World Health Organisation declared a pandemic due to the global outbreak of the coronavirus disease (Covid-19). The impact of Covid-19 on the public's health and the economy is rapidly evolving and has so far resulted in quarantines, restrictions on travel and business closures worldwide.

At the date of approving the financial statements, there has been no significant impact on the Company from the pandemic. The Company has sufficient funds to meet its obligations taking into account the financial support provided by its parent undertaking.

The effects of Covid-19 and the measures taken by the UK and other Governments continue to evolve and hence, whilst the directors consider the Company is able to meet its liabilities as they fall due it is not possible to fully quantify the full impact that Covid-19 will have on the Company. As the pandemic continues to spread, the resulting financial and economic market uncertainty could have a negative impact on the Company but the extent of this is highly uncertain and cannot be quantified.

Notes *(continued)*

22 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.