

Registered number: 12905017

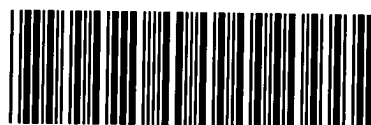
AMENDING

STRABAG UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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STRABAG UK LIMITED

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STRABAG UK LIMITED

COMPANY INFORMATION

Directors	A J Dixon S Wild
Registered number	12905017
Registered office	The Tower - 3rd Floor 65 Buckingham Gate London SW1E 6AS
Independent auditor	PKF Littlejohn LLP Statutory auditor 15 Westferry Circus Canary Wharf London E14 4HD

STRABAG UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their strategic report for STRABAG UK Limited (the Company) for the year ending 31 December 2023, outlining our context in the wider STRABAG Group, our strategy, governance, the approach to managing risk and uncertainty, performance, and prospects.

We are STRABAG

The Company is part of a large group that provides construction services across the entire value chain of the built environment. We are innovators and problem solvers. We develop and apply technology to optimise productivity. Our vision is to lead the global construction industry by achieving carbon neutrality by 2040.

We bring our huge depth of international expertise to the UK, combine it with our local knowledge so that we can deliver the best outcomes for our clients and our stakeholders.

Financial Summary

During the year the Company invested significant resource in bidding for major UK Infrastructure and built environment projects, commenced delivery of concrete tunnel segments from a new state of the art factory and continued with the delivery of existing contracts. The profit for the year after taxation amounted to £24,590k (2022: £22,429k loss).

The financial statements set out the performance and position of the Company for the year ended 31 December 2023.

KPIs

The Revenue of the Company for the year ending 31 December 2023 was £135m (2022: £76m) reflecting the growing presence of STRABAG in the UK.

Our average number of employees in 2023 was 1,401, which includes over 600 directly employed skilled and trade operatives (2022: average number of employees was 824)

Group context

The Company is a wholly owned subsidiary of STRABAG AG, which itself is a subsidiary of STRABAG SE, headquartered in Austria and listed on the Vienna stock exchange.

STRABAG SE is one of the largest construction companies in Europe, with approximately 83,000 employees, an output volume of c. €18bn and a forward order book of >€24bn. We use our financial strength to lead the future of construction through the development and application of innovations and technology to improve efficiency in our sectors and deliver value for our clients and stakeholders.

We do this by maximising our knowledge and resources in the entire construction value chain, from planning and design to construction, operation, and facility management, including our own developments and concessions.

In proving value to shareholders, we take a responsible role in society to operate with the highest standards of ethics and morals. This is why we have launched a new vision for the group: Work on Progress.

We recognise that few industries have a greater responsibility to find solutions for climate-neutral, socially responsible and sustainable business practices than the construction industry, which is responsible for 38% of global carbon emissions. We have set a clear goal to become climate neutral by 2040, with integrated milestones relating to;

- Climate-neutral administration by 2025
- Climate-neutral construction projects by 2030
- Climate-neutral building operation by 2035, and finally
- Climate-neutral construction materials & infrastructure by 2040

To facilitate achievement of each milestone and ultimately climate neutrality by 2040 we have developed our Company specific Environment & Sustainability Strategy outlining a series of focal areas relating to reducing our carbon footprint, circularity and enhanced use of sustainable & recycled materials. We will utilise global

STRABAG UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

expertise, innovation projects (of which there are over 600) and technological advancement to reduce our direct and indirect carbon footprint.

From a group perspective, we disclose emissions through the Carbon Disclosure Project (CDP), adhere to the EU Taxonomy reporting obligations, report in line with the Global Reporting index, and are accredited and certified by Sustainalytics and Ecovadis. Additionally, in 2024 we will be developing and committing to science-based targets and ensuring that ongoing monitoring and measurement of both direct and indirect emissions takes place in line with the Science Based Targets Initiative (SBTi).

A strategic priority of the group is to diversify geographically so that current over-reliance on core markets in Germany, Austria and the rest of central and eastern Europe is reduced, and that growth continues.

STRABAG entered the UK construction sector on a substantive basis through the acquisition of two mega-infrastructure contracts. Delivery of those long-term contracts continue for some years to come and are delivered through the trading entity of STRABAG AG UK Branch.

That market entry led STRABAG SE to establish the UK as a core region in the group with the registration of the Company as the preferred future trading entity for the Principal Activity.

The Company is the employer for >90% of STRABAG group employees located in the UK, some of whom are allocated to other STRABAG group activity in the UK. All service functions to support these employees, e.g. HR, payroll, administration and finance etc, are provided by the Company to other STRABAG trading entities operating in the UK.

The Company operates on an integrated basis with the group, with close policy, strategic and cultural alignment. We participate regularly on group-wide initiatives, share learning, and fully comply with the group's robust governance and reporting requirements.

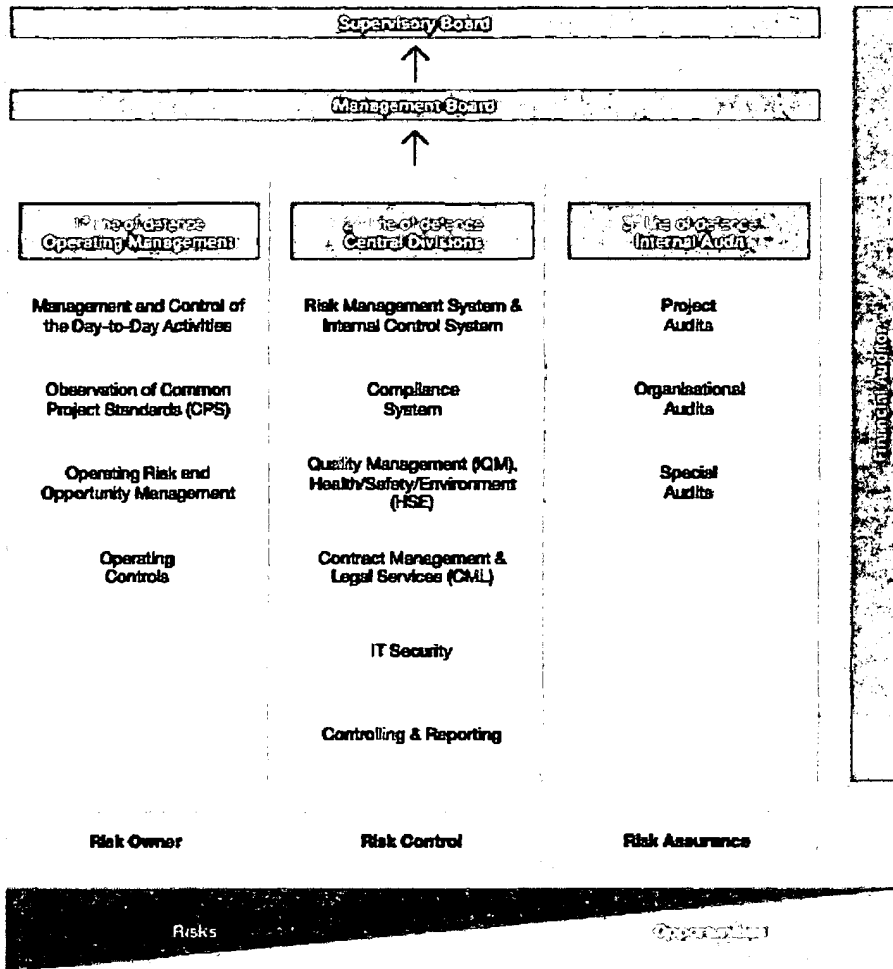
Principal risks and uncertainties

The Company adopts the Group's approach to the identification and management of business risk. We encounter many different risks and opportunities during our business activities. These risks are systematically identified and assessed using a proactive risk management system and managed in a consistent and goal-oriented manner through a risk management policy. This risk management policy is an integral part of the management system and describes a set of fixed principles and responsibilities for risk management and how to deal with the material risk categories.

To ensure a responsible and proactive approach to risks and opportunities, we have integrated a risk management system (RMS) with an internal control system (ICS) in our management system based on the internationally recognised Enterprise Risk Management Framework. The organisation and responsibilities for the risk management are determined according to the three lines of defence, so that clear roles and responsibilities for risk management exist.

STRABAG UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**



Organization of risk management following ECBA: Guidance on the 8th EU Company Law Directive, Article 41

The Group's internal risk reporting defines the following central risk categories:

- External risks
- Operating and technical risks
- Financial risks
- Business compliance and ethical risks
- Health, safety, wellbeing and environmental risks
- People and culture risks
- IT risks

External risks

The construction industry is subject to cyclical fluctuations affected by the UK's economic health and the support for investment, public and private. The competitive situation, the conditions on the capital markets and technological changes in construction, all create uncertainty risk. These risks are continually observed and monitored by our management and operating units and reviewed regularly and compared to our medium-term plans. Changes because of this volatility lead to adjustments in our organisation and focus on our range of services.

STRABAG UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

For long-term contracts we manage inflationary risks through contract mechanisms that provide for variable consideration through indexation linked prices. We also ensure our contracts provide protections against 'force majeure' events, industrial unrest, changes in legislation, etc, so generally risks that cannot be adequately controlled or insured against are excluded.

Operating and technical risks

These risks primarily include the complex risks associated with project selection and execution along with the technical risks that need to be assessed for each project. An integral part of the project risk management system is the Group's Common Project Standards (CPS), which provides a framework for standards and processes for effective delivery of projects and services in the form of an 'operating manual'. CPS comprise clearly defined criteria for the evaluation of new projects, a standardised process for the preparation and submission of bids, and integrated internal control systems.

Business transactions requiring approval are reviewed and approved in accordance with the internal rules of procedure, through a Code of Procedure, which identifies the management level authorised to approve such transactions.

The group has central divisions for equipment, materials, design and systems and innovations, all of whom participate as a matter of process in the governance framework and can be called upon when expertise is required.

All Group companies and staff are required to operate within the Group Management System, which combines the governance and controls framework for all activity. This System is communicated through a Management Manual together with the related Policies and Directives:

- Policies
- Code of Procedure
- Ethics-Business Compliance System
- Compliance Guidelines
- Common Project Standards
- Group Directives

The Company operates within this Group Management System and is subject to internal audit against it. Where necessary, perhaps through legislation, market practice or local context we have supplemented Group Policies with UK specific Policies.

Financial risks

Compliance with internal commercial guidelines is ensured by the Company's use of a central accounting and controlling department, which are also responsible for internal reporting and the periodic planning process. This reporting highlights any deviations against financial projections and identifies possible reporting anomalies. Risks from possible instances of manipulation (acceptance of advantages, fraud, deception, or other infringements of the law) are monitored by the internal audit department.

Business compliance and ethical risks

Given the risk of corruption and anti-competitive behaviour in the construction industry, the Group has implemented a set of tools that have proven effective in combating these risks. The rules for proper business behaviour are conveyed by the STRABAG Ethics Business Compliance System. These have corporate-wide validity. The STRABAG business compliance model is based on the Business Compliance Management System (BCMS) along with supplementary management directives, the Code of Conduct and the personnel structure defined for enforcement, consisting of the Chief Compliance Officer, the Corporate Business Compliance Officers and the Regional Business Compliance Officers as well as the internal ombudspersons and the external ombudsman. Mandatory training for all staff in the operation of the BCMS is expected.

Health, safety, wellbeing and environmental risks

To control the risks related to employee safety and health, STRABAG has implemented a work safety and health management system in accordance with ISO 45001. Moreover, the Company works to review, maintain, and update this system as knowledge and learning is gained. Specially appointed officers and representatives ensure that the standards are followed, and management leads clearly to develop an identifiable culture that minimises harm and maximises wellbeing. This approach also forms part of the evaluation of subcontractors and suppliers.

STRABAG UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

We are committed to reducing the negative environmental impact of our activities as far as this is technically possible and economically feasible. The Company has implemented and is maintaining an environmental and energy management system based on ISO 14001. We seek to minimise the use of natural resources, avoid waste and promote recycling. Our Group's industry leading strategy to reach carbon neutrality by 2040, with clear goals along the way is testament to how seriously we take this risk of controlling activities to avoid harm.

People and Culture Risks

The ability to attract, retain and develop the skills of our people, so that we have an engaged and motivated team, through which to achieve our objectives is fundamental to our survival and our success. Through an authentic leadership culture of caring for the wellbeing and development of all our employees we are creating a competitive advantage to generate opportunities and reduce risk. We are achieving this through policies and practice of fairness and inclusion, a culture of openness and transparency, high standards and initiatives to provide new skills for all those that wish to grow with us. We communicate to a regular calendar with our staff and seek feedback which we action. Recruiting bottlenecks and skilled labour shortages, fluctuation, and employee relations risks, are countered with a central People and Culture team. People risks are reduced to a large extent through the recruitment of qualified specialists and leaders, performance-based remuneration under compliance with employment legislation, and early succession planning. Additionally, systematic potential management is in place to ensure the development and career planning of company employees. Complementary initiatives to promote employee health, improve employment conditions and raise employee satisfaction further contribute to the Company's appeal and prestige.

IT risks

With the increasing threat posed by weak cyber-security, different measures are being implemented in the form of multistep security and anti-virus concepts, user access rights, password-controlled access, expedient data backups and independent power supply. The Group is also working together with professional specialty service providers to ensure an efficient defence against cybercrime and is constantly reviewing its security concepts. By issuing IT usage guidelines and regularly informing on the necessity of risk awareness when working with information and communication technologies, we aim to ensure the security, availability, performance, and compliance of the IT systems.

We also have in place business continuity plans, that include disaster recovery measures.

Strategy and Prospects

Demand in the UK construction industry in 2024 is expected to remain flat, narrowly avoiding negative growth. Signs of growth are forecast for early 2025 as broader momentum in the UK economy picks up, provided inflation continues to fall and interest rates return to levels that support investment. Growth in all sectors of the built environment is then expected at a rate of c.4% for the medium-term.

The UK general election in 2024 (latest Q1/25), may provide a stimulus for higher economic growth, with a renewed focus on renewing the UK's aging public infrastructure, financed through the private sector, which the two main parties' support.

In 2023, which will continue through 2024, we invested significant management and staff resources (beyond normal metrics for an established construction business) to prequalify for and tender for the delivery of infrastructure projects in the UK. This reflects that the Company is a new entrant to the market, so our activity in 2024 and 2025 will be disproportionately geared towards securing new work, rather than in balance with delivering secured backlog.

As a result of this disproportionate gearing, the cost of bidding in 2023 and for next two years or so will be higher than for a mature business, because the margins this investment will eventually generate reflect a substantial return on investment lag. This is the inherent nature of an infrastructure market that has a high cost of entry. Typically, a bid programme for a major project can involve a process of up to two-years from prequalification to contract award and then a year of mobilisation, planning and design activity before substantial revenue is generated.

STRABAG's position in the UK market continues to offer clients differentiated solutions, allowing us to stand out from the competition. This is principally because we can offer clients improved delivery assurance as we have staff with great technical depth built from experience of self-delivery across the whole value chain. Self-delivery means we employ the workers directly, we own the equipment, we control the materials, we have the specialist

STRABAG UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2023

suppliers in-house, we carry out the design and we operate and manage assets – this is what makes STRABAG different, the depth of knowledge of the entire value chain is held in our people and so it is our culture to need to understand the detail. This means we understand how to control and respond to risk and uncertainty far more effectively than others in the market. We are also sector leaders in technology and innovation, offering higher productivity levels to clients.

We have matured in substance and presence considerably through 2023 and we are ready and well-placed to grow through carefully selected project acquisitions that provide a balanced risk portfolio and stable returns.

Following significant capital investment, in 2023 we commenced production in our new concrete product factory, which occupies a former oil-rig assembly unit on the docks of Hartlepool. This state-of-the-art facility uses robotic equipment to automate concrete product manufacturing for the construction sector. The factory currently has two supply orders for concrete tunnel segments to be used on the new HS2 railway. The location, on the docks and adjacent to a rail head that we have brought back to life allows us to deliver our products off the highways.

In addition to the current UK capability for the design and build of infrastructure projects and the manufacture of concrete products, we took steps in Q3 2023 to enter the building sector in the UK, through a combination of employing a complete team from the demise of the Buckingham Group and supplementing it with existing STRABAG employees. We expect this new business unit to commence tendering for building schemes in early 2024 and delivering acquired projects from Q2 2024 onwards.

S172 Statement

The Directors consider that, during the year, they have acted to promote the long-term success of the Company and to operate with respect and responsibility for our shareholder and for wider society.

As required by section 172(1) (a) to (f) of the Companies Act 2006 we have considered the interests of the wide range of stakeholders we affect, which includes our employees, our customers, shareholders, supply chain partners, banks, lenders, sureties and insurers, joint venture partners and the UK Government are all key stakeholders for the Company. We also consider our responsibility includes supporting the advancement of the construction industry, so we constantly innovate and lead in the development of initiatives to reduce waste and improve productivity.

a) The likely consequences of any decision in the long term:

The company is committed to achieving carbon neutrality by 2040 and launched the 'Work on Progress' initiative to support this (see: Group Context and SECR in the Strategic Report)

The main objective of the Company is to establish itself as a key player in the UK infrastructure and built environment sector (further reading: Group Context and Strategy and Prospects in the Strategic Report)

b) The interests of the Company's employees:

The Directors seek to achieve strong employee engagement, which is a pillar of our vision, to be an employer of choice by putting 'People First' (further reading: People and Culture risks in the Strategic Report and Engagement with employees and employment of disabled persons in the Directors Report)

c) The need to foster the Company's business relationships with suppliers, customers and other stakeholders:

Ensuring that we foster excellent stakeholder relationships is a core capability of the Company, not least because it is impossible to function successfully in the construction sector without such an approach, but because it is a core value to respect the interests of our neighbours and supply chain partners.

The Company operates weekly payment runs to ensure suppliers and subcontractors are paid within terms and local suppliers and subcontractors are used as much as is practicable.

Delivery of construction contracts is managed closely with our clients at every step of delivery in line with the Company "Common Projects Standards" directive and other Company policies and directives. The Company is subject to internal audit to ensure compliance with these (further reading: Operating and technical risks in the Strategic Report).

STRABAG UK LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

d) The impact of the Company's operations on the community and the environment:

Through the opening of our new segment production facility in Hartlepool and the ongoing delivery of a contract in the Scottish Highlands, the Company has created over 100 new skilled local jobs and has taken on apprentices from the local communities in which we operate.

In opening the new segment production facility, the Company re-established a disused rail link to provide direct access to the UK rail network. This enables the Company to make deliveries by rail freight instead of by lorry and over the next three years 56,000 lorry journeys will have been avoided from UK roads.

The consideration given to the impact of the Company's operations on the environment and initiatives undertaken in the year are explored fully in the SECR section of the Directors Report.

e) The desirability of the Company maintaining a reputation for high standards of business conduct:

Given the risk of corruption and anti-competitive behaviour in the construction industry, the Company has implemented a set of tools that have proven effective in combating these risks. The rules for proper business behaviour are conveyed by the STRABAG Ethics Business Compliance System (BCMS) and the Directors have ensured that there is mandatory training for all staff in the operation of BCMS (further reading: Business Compliance and Ethical risks in the Strategic Report).

The Company has clear conflict resolution procedures for all stakeholders including escalation to senior management and Directors for amicable resolution of disputes and a whistleblowing platform is made available to all stakeholders of the Company, not just employees.

f) The need to act fairly as between members of the Company:

The Company is a wholly owned subsidiary of STRABAG AG and therefore has a single shareholder. The Directors have no considerations to address in relation to the need to act fairly between members of the Company.

This report was approved by the board and signed on its behalf.



**A J Dixon
Director**

Date: 18.04.24.

STRABAG UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2023.

Principal activity

The Company's principal activity in 2023 was to tender for and deliver construction projects, related services and design and manufacturing connected with the UK's infrastructure and built environment. The Company acts as a financial and administrative service centre and a provider of staff and labour for all Group entities trading in the UK.

Disclosure of Information in the Strategic Report

The Company has chosen in accordance with Companies Act 2006, 2. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, sch. 7 to be contained in the directors' report.

For the financial overview of the Company, Key Performance Indicators, strategy and a review of the principal risks and uncertainties, please refer to the Strategic Report.

Results and dividends

The profit for the year, after taxation, amounted to £24,590k (2022: £22,429k Loss).

The Directors proposed dividends in the year of £Nil (2022 - £Nil) per ordinary share.

Directors

The Directors who served during the year were:

A J Dixon
S Wild

Political contributions

During the year the Company made no political contributions (2022: £Nil).

Employment of disabled persons

The Company is committed to providing all employees and potential employees with equitable opportunities and to provide an environment that is fair and inclusive. We do not discriminate against anyone based on protected characteristics (age, disability, gender reassignment, sex, sexual orientation, marriage and civil partnership, pregnancy and maternity, race, religion, or belief).

The Company values and celebrates the diverse nature of our people. All employees have a duty to act in accordance with this policy and to always treat people with respect and dignity. The Company will not tolerate any discriminatory practices or behaviour.

STRABAG UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Engagement with employees

The Company seeks to achieve strong employee engagement, which is a pillar of our vision, to be an employer of choice by putting 'People First'. We achieve this through several initiatives, but principally by ensuring we have an open and transparent, two-way communication channel with all of our employees.

We have a dedicated communications team to support with this as well as People and Culture discussion and listening groups. Our employees receive a weekly updated electronic newsletter, a monthly update from the Directors and further regular contact from our senior leadership to inform on strategic updates and important news, as well as celebrating successes. We have internal websites that provide information and updates.

We also have a dedicated team focussed exclusively on enhancing the health and wellbeing of our employees, providing regular information and resources for all.

Engagement with Other Stakeholders

Ensuring that we foster excellent stakeholder relationships is a core capability of the Company, not least because it is impossible to function successfully in the construction sector without such an approach, but because it is a core value to respect the interests of our neighbours and supply chain partners.

Streamlined energy and carbon reporting (SECR)

Summary

This section summarises the Company's 2023 energy usage, associated emissions, energy efficiency actions and energy performance under the Streamlined Energy and Carbon Reporting (SECR) requirements, as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. It also outlines the organisation boundaries and methodology utilised for the calculations in this report.

The total emissions resulting from activities within the defined scope of this Energy and Carbon report is 1,724.69 tCO₂e, while the emission intensity is 12.77 tCO₂e/£m revenue.

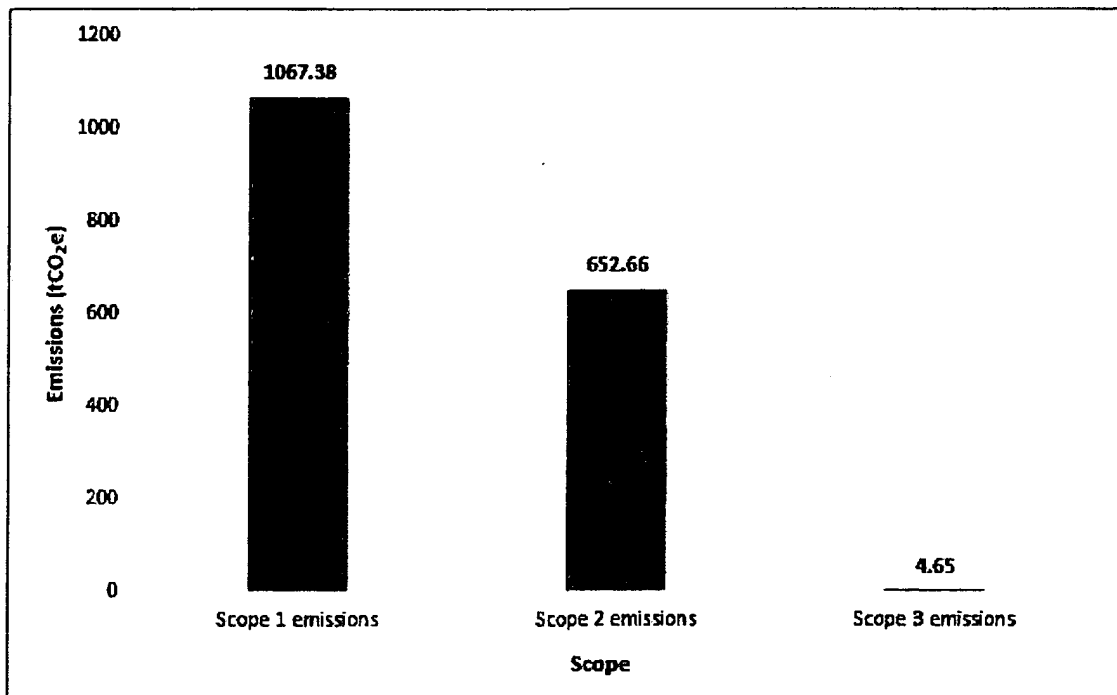


Figure 1: Overall carbon emissions by Scope

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Data inventory and methodology

The inventory is an accurate quantification of the carbon emissions that can be attributed to the operations within the boundary and scope for 2023. This has been prepared in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2018 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

The Company has assessed data associated with all scope activity under its influence and in line with SECR requirements. Extrapolations and estimations were made where activity data of the inventory was lacking. Unless otherwise stated, all emission values in this report are given in tCO₂e.

Data collation includes requirements for the different emission scopes.

- Scope 1 emissions – Emissions from combustion of gas and fuel utilised for operations such as fuel used in construction plant/equipment and transportation using the company vehicle fleets.
- Scope 2 emissions – Emissions from purchased and used electricity in daily business operations.
- Scope 3 emissions – Emissions from business travel in employee-owned vehicles for work purposes.

Reporting methodology

As this is the first SECR reporting year for the Company, a comparison is not mandatory, conversion from energy to emissions was completed using the relevant location-based emissions factor from the UK Government GHG conversion factors for reporting in 2023.

Emissions intensity

For the purpose of this report, carbon emissions as a function of revenue is chosen as a suitable factor of intensity.

Emissions results

The tables below show the energy consumption and associated emissions for the reporting period.

Table 1: Emission results by Scope

Emission source	Scope	Quantity (Unit)	Total Emissions (tCO ₂ e)	Emissions by scope (tCO ₂ e)	% of Total CO ₂ e emissions	Energy Consumption (kWh)
Fuel used in plant and equipment	Scope 1	421,647 L	1,059.2	1,067.38	61.89%	105,411.75
Fuel used in company vehicles		29,911 Mi	8.18			32,279.05
Electricity Consumption	Scope 2	3,151,823.67 kWh	652.66	652.66	37.84%	3,151,823.67
Fuel used in business travel for employee-owned vehicles	Scope 3	17,031.25 Mi	4.65	4.65	0.27%	18,838.03
Total			1,724.69	1,724.69	100.00%	3,308,352.51

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

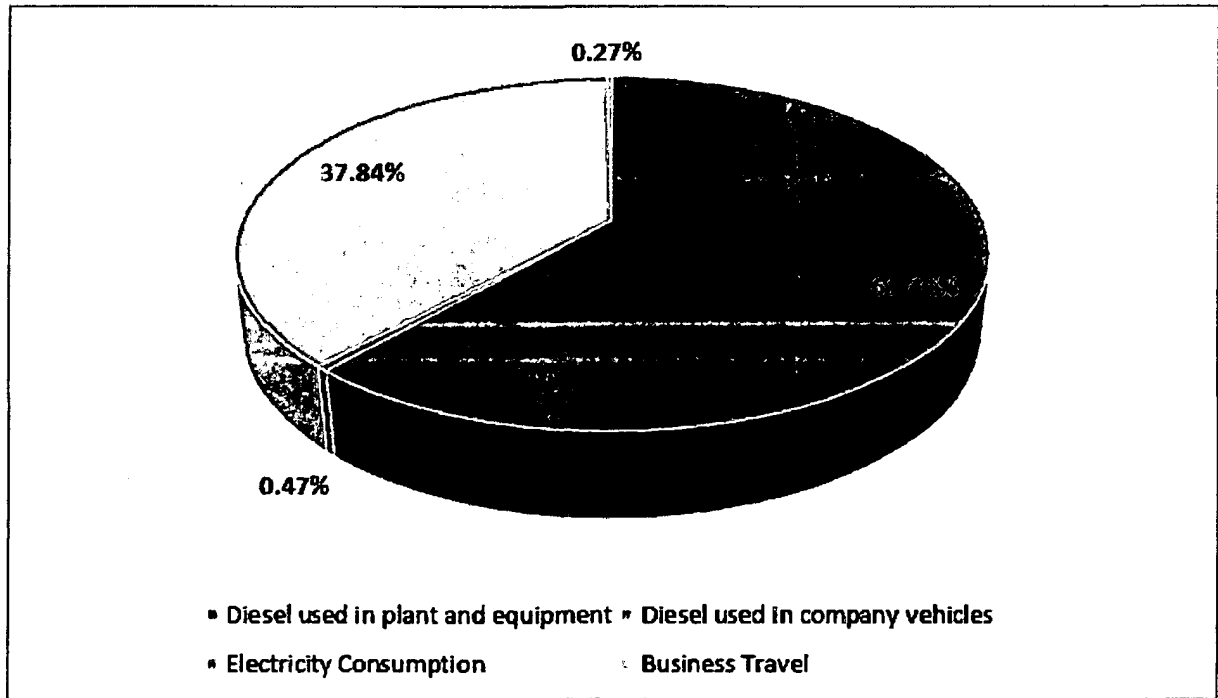


Figure 2: Percentage emission by source

GHG Breakdown

A greenhouse gas (GHG) is any gas in the atmosphere which absorbs heat, and thereby keeps the planet's atmosphere warmer than it otherwise would be. These are the gases, accepted as predominantly responsible for the greenhouse effect and consequent global climate change. The Kyoto Protocol is an international treaty for controlling the release of GHGs from human activities, and the GHGs controlled under the treaty are Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O), Hydrofluorocarbons (HFC), Perfluorocarbons (PFC), Sulphur hexafluoride (SF₆) and Nitrogen trifluoride (NF₃). These GHGs are often referred to as the "Kyoto gases". The table below shows the breakdown of the GHGs considered for this reporting period.

Table2: Greenhouse Gas breakdown for STRABAG

GHGs	tCO ₂ e
Carbon Dioxide (CO ₂)	1,703.90
Methane (CH ₄)	2.95
Nitrous Oxide (N ₂ O)	17.84
Perfluorocarbons (PFCs)	0
Hydrofluorocarbons (HFCs)	0
Sulphur Hexafluoride (SF ₆)	0
Nitrogen Trifluoride (NF ₃)	0
	1,724.69

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**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

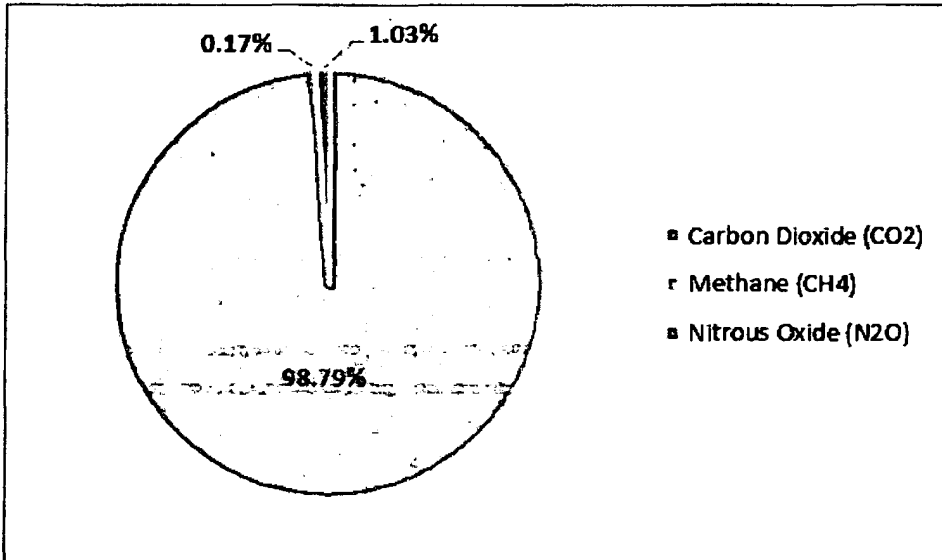


Figure 3: Percentage breakdown of the Greenhouse Gases (GHGs)

Intensity ratio

An intensity ratio of tCO₂e per £m revenue is shown below:

Table3: Emission Intensity

Total emissions (tCO ₂ e)	Total revenue (£)	Intensity ratio (tCO ₂ e/£m revenue)
1,724.69	£135m	12.77

Energy Efficiency

The Company is committed to continual improvements in operational energy efficiency. Recognising the global contribution the construction industry has in terms of carbon emissions, the Company has established and implemented both an Environmental Management System certified to ISO14001:2015 and Energy Management System certified to ISO50001:2018.

Energy efficiency measures ongoing and undertaken in 2023:

- Purchase of electric vehicles for company cars
- Increase in electric vehicle charging points on site
- Purchase of electric/hybrid mobile equipment such as telehandlers, forklifts, etc.
- Installation of telematics on company fleet
- Upgrade of lighting on site to energy efficient LED lighting.
- Value-added engineering to implement energy savings options.
- Centralised heating in site offices
- Cycle to Work scheme for all employees

For the long term, an energy efficiency action plan will be created to drive energy performance across our project sites and offices. This would influence behavioural and cultural changes within the Company and focus on supply chain. Future energy efficiency being considered by the Company include:

- Switch to renewable mains electricity across all operations
- Standardised use of low carbon fuels to achieve diesel-free project sites
- Switch all company cars to hybrid/electric vehicles
- Energy efficient site setup and operations

STRABAG UK LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

Exclusions

In November 2023, the Company commenced occupation of an additional tenanted office. This report does not include or account for electrical consumption (Scope 2) emissions as data sources are not available at the time of drafting. This information will be included in the 2024 SECR report with 2023 data respectively updated to account. In respect of this report, due to the surface area and timeframe associated with the office occupancy, there will be minimal influence of overall carbon or energy emissions.

Qualifying third party indemnity provisions

Qualifying third party indemnity provision was in place for the benefit of all directors of the Company.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The auditor, PKF Littlejohn LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



A J Dixon
Director

Date: 18.04.24.

STRABAG UK LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the audited financial statements of the Company 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 prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework – Disclosure exemptions from UK-adopted IFRS for qualifying entities (FRS 101).

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; 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 to 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.

STRABAG UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRABAG UK LIMITED

Opinion

We have audited the financial statements of STRABAG UK Limited (the 'Company') for the year ended 31 December 2023, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

STRABAG UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRABAG UK LIMITED (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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 the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the 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.

STRABAG UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRABAG UK LIMITED (CONTINUED)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management and application of our experience in the sector.
- We determined the principal laws and regulations relevant to the company in this regard to be those arising from Companies Act 2006, FRS 101 and relevant UK employment and tax legislations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and a review of legal correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to the onerous contract provision, IFRS 16 Leases and long-term revenue contracts, and we addressed this by challenging the assumptions and judgements made by management when auditing the significant accounting estimate.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

STRABAG UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRABAG UK LIMITED (CONTINUED)

Use of our report

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

Stuart Leat (Senior Statutory Auditor)

for and on behalf of
PKF Littlejohn LLP

Statutory auditor
15 Westferry Circus
Canary Wharf
London
E14 4HD
Date:

STRABAG UK LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	2023 £000	2022 £000
Turnover	5	135,057	76,348
Cost of sales		(135,426)	(90,291)
Gross loss	6	(369)	(13,943)
Administrative expenses		(16,875)	(8,376)
Operating loss		(17,244)	(22,319)
Other income	7	37,000	-
Interest receivable and similar income	10	-	77
Interest payable and similar expenses	11	(3,852)	(187)
Profit/(loss) before tax		15,904	(22,429)
Tax on profit/(loss)	12	8,686	-
Profit/(loss) for the financial year		24,590	(22,429)

There was no other comprehensive income for 2023 (2022: £Nil).

The notes on pages 23 to 44 form part of these financial statements.

STRABAG UK LIMITED
REGISTERED NUMBER: 12905017

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	2023 £000	2022 £000
Fixed assets			
Property, plant and equipment	13	47,270	28,937
Right-of-use assets	14	5,370	5,876
		<u>52,640</u>	<u>34,813</u>
Current assets			
Stocks	15	3,592	991
Trade and other receivables	16	31,257	15,395
Cash at bank and in hand	17	9,885	5,959
		<u>44,734</u>	<u>22,345</u>
Creditors: amounts falling due within one year	18	(41,959)	(61,938)
Net current assets/(liabilities)		<u>2,775</u>	<u>(39,593)</u>
Total assets less current liabilities		<u>55,415</u>	<u>(4,780)</u>
Creditors: amounts falling due after more than one year	19	(46,413)	(5,369)
		<u>9,002</u>	<u>(10,149)</u>
Provisions for liabilities			
Deferred taxation	20	(975)	-
Other provisions	21	(8,128)	(14,542)
		<u>(9,103)</u>	<u>(14,542)</u>
Net liabilities		<u>(101)</u>	<u>(24,691)</u>
Capital and reserves			
Called up share capital	22	35	35
Profit and loss account		(136)	(24,726)
Total equity		<u>(101)</u>	<u>(24,691)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


A J Dixon
 Director

Date: 18.04.24.

The notes on pages 23 to 44 form part of these financial statements.

STRABAG UK LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Called up share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2022	35	(2,297)	(2,262)
Comprehensive income for the year			
Loss for the year	-	(22,429)	(22,429)
At 1 January 2023	35	(24,726)	(24,691)
Comprehensive income for the year			
Profit for the year	-	24,590	24,590
At 31 December 2023	35	(136)	(101)

The notes on pages 23 to 44 form part of these financial statements.

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. General information

The Company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is The Tower - 3rd Floor, 65 Buckingham Gate, London, England, SW1E 6AS.

The Company's principal activity in 2023 was to tender for and deliver construction projects, related services and design and manufacturing connected with the UK's infrastructure and built environment. The Company acts as a financial and administrative service centre and a provider of staff and labour for all Group entities trading in the UK.

2. Statement of Compliance

The individual financial statements of STRABAG UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 101, "Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

3. Accounting policies

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

3.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

All amounts within the financial statements have been rounded to the nearest £1,000 unless otherwise stated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101 (where applicable):

- Paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64 (j) to (m), B64(n)(ii), B64(o)(ii), B64(p), B64(g)(ii), B66 and B67 of IFRS 3.
- IFRS 7, 'Financial instruments: Disclosures'.
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- Paragraphs 110 (second sentence only), 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Contracts.
- Paragraphs 52, 58 provided that the disclosure of debtors or indebtedness required by paragraph 61(1) of schedule 1 is presented separately, 89 (second sentence only), 90, 91 and 93 of IFRS 16 Leases.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (statement of cash flow);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation).

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Accounting policies (continued)

Basis of preparation of financial statements (continued)

- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.
- Paragraphs 130(f)(ii), 130 (f)(iii), 134(d) to 134 (f) and 135(c) to 135(e) of IAS 36 Impairment of Assets.

3.2 Going concern

Net profit for the year was £24,590k (2022: £22,429k loss) and the Company has net liabilities for the year ended 31 December 2023 of £101k (2022: £24,691k).

The Company is a wholly owned subsidiary of STRABAG AG, which itself is a subsidiary of the STRABAG SE group of companies which is listed on the Vienna stock exchange and one of the largest construction companies in Europe. The Board of STRABAG AG has approved the Company's business plan to achieve a long-term and sustainable presence in the UK on an on-going basis, with the intention of establishing the UK as a 'core country' in the Group's operations, so that it progressively offers the full range of services that STRABAG provides to other core countries in Europe and around the World.

The Directors have prepared the financial statements on a going concern basis. Directors have considered the following in making this assessment:

- The Directors have received confirmation from STRABAG AG, the parent company, that they will continue to support the operations of STRABAG UK Limited for the foreseeable future to allow it to be able to meet its own liabilities as they fall due.
- The Directors of the Company have prepared their own budgets and forecast and have concluded that they have sufficient funds from STRABAG AG to ensure that their liabilities are settled within payment terms.
- STRABAG AG have also committed to ensure that all intra group debts owed to them or between fellow subsidiaries will not be called upon within a period of 12 months from the date of approval of these financial statements.

On the above basis of their assessment of the Company's financial position and of the confirmation received from the directors of STRABAG AG, the Company's directors continue to adopt the going concern basis of accounting in preparing these financial statements.

3.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is the pound sterling pound sterling. Monetary amounts in these financial statements are rounded to the nearest £1,000.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account, except where deferred in other comprehensive income a qualifying cash flow hedges.

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Accounting policies (continued)

3.4 Tangible fixed assets

Assets under construction related to cost incurred in the improvement to leased property and construction of plant and machinery. These assets have been completed and transferred to property, plant and equipment in the year.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight line method to allocate their cost of revalued amounts to their residual values over their estimated useful lives, as follows:

Right of use assets	- 8 - 10 years
Construction in progress	- not depreciated
Plant and machinery	- 3 - 15 years
Office equipment	- over 3 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

As asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and they are recognised within 'Other income' in the Statement of Comprehensive Income.

When revalued assets are sold, the amounts included in the revaluation reserve that relate to those assets are, transferred to retained earnings.

3.5 Interest income

Interest income is recognised in profit or loss using the effective interest method.

3.6 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Accounting policies (continued)

3.6 Current and deferred taxation (continued)

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3.7 Inventories

Inventory costs include cost of purchase and production and are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Production costs include all direct costs as well as appropriate parts of overhead arising in the production. Distribution costs, as well as costs for general administration, are not included in the production costs. Borrowing costs related to production are recognised for inventories which are to be classified as qualifying assets.

3.8 Trade and other receivables

Trade and other debtors are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rate for the contract assets.

3.9 Impairment of financial assets and contract assets

For the recognition of impairments, STRABAG allows for expected credit losses under IFRS 9. The expected loss impairment model is used for debt instruments for which subsequent measurement is made at amortised cost. The impairment requirements under IFRS 9 are also applied to non-financial contract assets.

Equity instruments measured at fair value through profit or loss or through other comprehensive income are not within the scope of the IFRS 9 impairment requirements.

IFRS 9 outlines a three-stage model to determine the scope of the risk provision, requiring expected credit losses to be measured from initial recognition at an amount equal to the twelve-month expected credit losses or, if the credit risk has worsened significantly, the full expected credit losses over the remaining life of the financial instrument. The general impairment model (general approach) is used for receivables from concession arrangements and for current and non-current other financial assets in the group. Besides the general impairment model, the simplified impairment model (simplified approach) is used for trade receivables and for contract assets under IFRS 15. The simplified impairment model requires a risk provision equal to the expected losses over the full

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Accounting policies (continued)

remaining life of the financial instrument to be recognised for trade receivables or contract assets regardless of the respective credit quality.

Application of the 30-days-past-due criterion is not useful in the construction sector, on the one hand because of incomplete performance recognition, on the other hand because contracts are often fulfilled for public-sector clients, whose internal processes to release payment may be lengthy but usually result in full and complete payment.

To determine the expected credit losses, trade receivables and contract assets are grouped into different portfolios with similar risk characteristics. In establishing the portfolios, STRABAG also considers the underlying country risk and the creditworthiness.

During the initial recognition of financial assets, STRABAG takes into consideration the probability of defaults and continually monitors the development of the credit risk in each reporting period, taking into account all reasonable and supportable information and forecasts. This includes especially the following indicators:

- internal estimate of creditworthiness by the client
- external information on creditworthiness based on the corresponding country risk

Macroeconomic information (such as market interest rates) and other forecasts are included in the assessment of the credit risk.

Besides the application of the general and the simplified impairment approach, financial assets are impaired if there is objective evidence of credit default indicators. STRABAG makes such impairments if the debtor has significant financial difficulty; if there is a high probability that insolvency proceedings will be commenced against the debtor; if a breach of contract and payment default has occurred; or if the issuer's technological, economic, legal and market environment changes substantially.

Impairments lower the carrying amount of the financial assets. The impairment loss or gain resulting from the application of the impairment requirements is recognised through profit or loss in the other operating expense or income.

A financial asset defaults if bankruptcy proceedings have been started or it is highly probable that there is no reasonable expectation for repayment. These financial assets are then derecognised. When derecognising financial assets, STRABAG continues to undertake enforcement measures to attempt to recover the receivables that are due.

During the year under report, there were no changes with regard to the impairment approaches and criteria that were applied.

3.10 Cash and cash equivalents

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

3.11 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Profit and loss account represents accumulated comprehensive income or losses for the year and prior periods for the Company.

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Accounting policies (continued)

3.12 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.13 Loans

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as creditors: amounts falling due within one year unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period in which case they are classified as creditors: amounts falling due after more than one year.

3.14 Retentions

Retentions are typically a percentage of a construction contract, which are in accordance with the agreement with Clients or supplier/subcontractor held back and not paid until a later date. Retention receivables under trade receivables and retention payables under trade payables are recognised respectively.

After the retention period when the retention amount is to be paid, retention receivable and retention payable amounts are adjusted with cash receipt and payment accordingly.

3.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Accounting policies (continued)

3.16 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services supplied, stated net of discounts and Value-Added Taxes.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, and specific criteria have been met for each of the Company's activities, as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenues were generated from three activities,

1. Bau Rechen Und Verwaltungszentrum (BRVZ) Fees

The Company operates BRVZ to provide central services to STRABAG Group's UK operative units. The services include finance, accounting, tax, payroll, HR and expatriate administration. An agreed certain percentage on operatives' revenue is charged as BRVZ fees.

2. Recharge of Costs

The Company employs staff and labourers for all operative units of STRABAG in the UK. Salaries/wages and related cost are then re-charged to the relevant operative legal entity to recover its costs at no mark up.

3. Revenue from contracts with customers

Revenue from contracts with customers is recognised over time as required by IFRS 15 - Revenue from Contracts With Customers.

For construction contracts with customers, the construction projects are built on the customers' properties and the customers always control the assets that are created or enhanced.

Construction is performed based on stand-alone contracts. The allocation of the transaction price to each performance obligation is made on the basis of the work estimate for the respective stand-alone item. If significant integration services are provided, a separate performance obligation is assumed. Transaction prices for construction contracts are determined on the basis of the contract value agreed with the customer. Contractual penalties or bonus payments during the construction period may lead to amendments of the transaction price. These are carried with the most probable value by reason and amount on the basis of the project controlling.

Revenue recognition over time is made using the output-oriented method on the basis of the work performed. The actual work performed, and the corresponding revenue are determined at the level of the stand-alone item according to the work estimate. Because of unforeseen deviations in the budgeted costs, the best indicator is considered to be the percentage of completion as derived directly from the actual work performed. The performance completed to date, one of the key corporate governance figures, must be directly determined by the construction site team on a monthly basis.

The projects, where the construction is at early stages and not be able to reasonably measure its progress towards complete satisfaction of a performance obligation and expects to recover the costs incurred in satisfying the performance obligation, the revenue is recognised only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

The contract asset represents the group's right to consideration from construction contracts with customers. If the value of a contract asset of a construction contract exceeds the payments received for it, then this is shown on the assets side under contract assets. In the opposite case, the figure is reported on the equity and liabilities side under contract liabilities.

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Accounting policies (continued)

3.16 Revenue (continued)

Payments for construction contracts are usually made parallel to the performance on the basis of regular invoicing. Payments of advance consideration before the actual performance are common practice, especially in building construction. Agreements covering extended terms of payment or staggered invoicing of performance completed are made only on a case-by-case basis with special approval by the Management Board of STRABAG SE.

If it is probable that the costs exceed the recoverable proceeds, an onerous contract provision is recognised in accordance with IAS 37. Any costs directly attributable to the contract are taken into account to determine the costs. The onerous contract provision, considered individually, is recognised at the amount that is required for the completion of the obligation from the contract. Up to the value of the contract asset, an impairment is recognised. If the value of the respective contract asset is exceeded, an onerous contract provision is recognised on the equity and liabilities side under the current provisions.

With regard to impairment, see note 3.9 "Impairment of financial assets and contract assets".

Inventories that have not yet been used in the construction process but are already present on the construction sites are no longer accounted for as a separate asset but are instead assigned to the respective contract and recognised as a contract asset.

Claims and variation orders in connection with construction contracts involve any modification or change (actual construction progress) to the contractually agreed scope of work (agreed specifications). Due to the existing contractual agreements, these modifications to the work to be performed cannot be invoiced until the client approves the changes or agrees to their invoice ability. Modifications or changes to the work to be performed include agreed changes to the work to be performed as well as disputed claims for additional costs due to disruption or due to changes in the scope of work.

In the event of agreed changes to the work to be performed, the client actively intervenes in the construction process and changes the scope of work. Changes to the work to be performed are regularly commissioned by the contractor before execution. In this case, a contract modification as defined by IFRS 15.18 exists in which all parties to the contract have agreed to the change in the scope of work and/or price. As a rule, the contract modification is accounted for as part of the original contract in accordance with IFRS 15.21(b), as the changes in the work to be performed are not distinct from the order before contract modification and the contract remains a single performance obligation.

Claims for additional costs arising from disruption are incurred when adjustments must be made to the construction process due to disruptions that lie within the client's sphere of influence. Claims for additional costs also arise in the case of changes ordered by the client who believes these do not result in additional costs, due, e.g. to guarantees for completeness, but which, in the opinion of the contractor, are not included in the scope of the contract. The complexity of construction contracts often leads to different legal views regarding the existence of a legal claim between the client and the contractor, which often results in protracted legal disputes.

In accordance with IFRS 15.19, the disputed claims for additional costs involve contract modifications for which the parties to the contract have not yet reached a final agreement with regard to the scope and/or price of the contract. The variable consideration from these contract modifications is therefore estimated in accordance with the provisions of IFRS 15.50-59 and recognised as revenue as part of the original contract in accordance with IFRS 15.21(b).

The estimate is based on qualitative and quantitative criteria. The large number of individual claims and variation orders in a construction project, the uncertainty over a long period of time, the individuality of the circumstances, the legal enforceability of the claim and the quality of the documentation are taken into account when estimating the variable consideration. The variable

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Accounting policies (continued)

3.16 Revenue (continued)

consideration is measured in such a way that there is no reversal of previously recognised revenue in subsequent periods.

The corresponding expense is recognised in profit or loss immediately when it is incurred. The consideration for revenue from project developments which, on the basis of the work performed by the reporting date, are realised over time, is recorded under contract assets. The contract asset represents the group's right to considerations from project developments.

Revenue is recognised over time if a contractual agreement excludes the possibility of any alternative use and there exists a right to payment including a profit margin on the work performed. These conditions are always met if real estate projects are sold already prior to their completion.

In these cases, the revenue is recognised pro rata based on the degree of completion of the work.

Advances received are offset against the cost of the contract asset. If the advances received exceed the value of the contract asset, presentation is made on the equity and liabilities side under contract liabilities.

The notes on construction contracts with customers apply by analogy.

3.17 Leases

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognised a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leased within a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the terms of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the lease asset are consumed.

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

The Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any incentives;

The lease liability is included in 'Creditors' on the Statement of Financial Position.

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

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

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. Accounting policies (continued)

asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Tangible Fixed Assets' in the Statement of Financial Position.

The Company applied IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

As a practical expedient, IFRS16 permits a lessee to not separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

3.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

4. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Economic Useful life of tangible assets

The annual depreciation charges to tangible assets are sensitive to the changes in the estimated economic useful lives and residual values of the assets. The useful economic lives and residual values are assessed annually. Any changes to the condition of the lives of assets because of enhancements, and economic utilisation's are reflected on the amended estimates when necessary.

Lease accounting

In determining the lease term, management considers all factors and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

4. Judgements in applying accounting policies (continued)

Onerous Provision

As at 31 December 2023, the directors have undertaken a review of all existing contracts with Clients to assess whether any of them would suggest that they are to be loss making. In accordance with IAS 37 a provision of £8,083k (2022: £14,512k) for onerous contract is established in relation to the Supply of Tunnel Segments for the HS2 project.

In calculating the provision, compensation events and changes in the indexation have been reflected to the actual contract value and to the forecasted costs in delivering the precast concrete products. Risk factors from our risk register, resource planning, cost increases due to inflation, substantially increased cost in factory setup are taken into the provision calculation. Provision amount will be re-assessed if there will be a new contract awarded to the Company.

5. Turnover

An analysis of turnover by class of business is as follows:

	2023 £000	2022 £000
Construction	29,155	7,542
Recharge of costs	104,616	67,448
BRVZ fees	1,286	1,358
	<u>135,057</u>	<u>76,348</u>

Analysis of turnover by country of destination:

	2023 £000	2022 £000
United Kingdom	135,057	76,348
	<u>135,057</u>	<u>76,348</u>

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

STRABAG UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

5. Turnover (continued)

Assets and liabilities related to contracts with customers:

The company has recognised the following assets and liabilities related to contracts with customers.

	2023	2022
	£000	£000
Contract assets		
At 1 January	3,865	-
Contract assets recognised in the year	-	3,865
Decrease due to amounts Invoiced in year	(3,865)	-
At 31 December	-	3,865
	2023	2022
	£000	£000
Contract liabilities		
At 1 January	18,187	11,265
Increase due to cash received, excluding amounts recognised as revenue during the year	176	6,922
Decrease due to amounts recognised in revenue	(1,299)	-
At 31 December	17,064	18,187

Contract assets and contract liabilities are included within “debtors” and “creditors” respectfully on the face of the balance sheet. They arise from projects such as manufacture and supply of segments and construction of an exploratory tunnel. The company enters in to contract for these projects and it takes more than one year to complete. The contract assets comprise the right to payment from construction contracts with customers as well as from project developments for the work performed by the reporting date. If the advances received exceed the payment rights, presentation is made under contract liabilities.

Revenue recognised that was included in the contract liability balance at the beginning of the year is £1,299k (2022: £Nil) and no impairment losses have been recognised in the year against the contract asset.

6. Operating loss

The operating loss is stated after charging/(crediting):

	2023	2022
	£000	£000
Depreciation of plant, property and equipment	5,398	1
Depreciation of right of use assets	722	691
Foreign exchange gains	(15)	(201)
Defined contribution pension cost	2,598	1,943
Onerous contract provision	(6,429)	14,512
Dilapidation provision	15	30

STRABAG UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

7. Other income

	2023	2022
	£000	£000
Debt waiver	37,000	-
	<u>37,000</u>	<u>-</u>

During the year, STRABAG AG, waived the repayment obligation for part of the inter company loan owed to it by the Company via STRABAG AG's UK Branch. The de-recognised liability amounted to £37,000k and is presented as other income in the Statement of Comprehensive Income.

Following the waiver the Company has an outstanding loan liability for the year ended 31 December 2023 of £41,526k owing to STRABAG AG UK Branch.

8. Auditor's remuneration

	2023	2022
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	50	33
	<u>50</u>	<u>33</u>
Fees payable to the Company's auditor and its associates in respect of:		
Accounts preparation services	6	5
	<u>6</u>	<u>5</u>

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

9. Employees

Staff costs were as follows:

	2023 £000	2022 £000
Wages and salaries	103,135	61,991
Social security costs	13,519	7,749
Cost of defined contribution scheme	2,598	1,943
	<u>119,252</u>	<u>71,683</u>

The average monthly number of employees, including the Directors, during the year was as follows:

	2023 No.	2022 No.
Construction services	1,175	690
Management	81	48
Administrative	145	86
	<u>1,401</u>	<u>824</u>

The directors of the Company are remunerated by a fellow group undertaking. It is not practical to apportion amounts to the company.

10. Interest receivable

	2023 £000	2022 £000
Interest receivable from group undertakings	-	77
	<u>-</u>	<u>77</u>

11. Interest payable and similar expenses

	2023 £000	2022 £000
Interest payable to group undertakings	3,671	-
Interest on lease liabilities	181	187
	<u>3,852</u>	<u>187</u>

STRABAG UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

12. Taxation

	2023	2022
	£000	£000
Corporation tax		
Current tax credit on profits for the year	(4,962)	-
Adjustments in respect of previous periods	(4,699)	-
Total current tax credit	<u>(9,661)</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	4,344	-
Tax losses carried forward	(3,369)	-
Total deferred tax charge	<u>975</u>	<u>-</u>
Taxation on profit / (loss) on ordinary activities	<u>(8,686)</u>	<u>-</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - higher than) the standard rate of corporation tax in the UK of 23.52% (2022 - 19%). The differences are explained below:

	2023	2022
	£000	£000
Profit / (loss) on ordinary activities before tax	<u>15,904</u>	<u>(22,429)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.52% (2022 - 19%)	3,741	(4,262)
Effects of:		
Expenses not deductible for tax purposes	(7,788)	(344)
Unrecognised deferred tax	-	4,606
Remeasurement of deferred tax for changes in tax rates	60	-
Adjustments in respect of previous periods	(4,699)	-
Total tax credit for the year	<u>(8,686)</u>	<u>-</u>

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

STRABAG UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

12. Taxation (continued)

Factors that may affect future tax charges

The Company has tax losses of £13,479k which can be carried forward and offset against future taxable profits.

Legislation to increase the rate of corporation tax in the UK from 1 April 2023 was substantially enacted on 24 May 2021. The 25% rate has therefore been applied to any timing differences that are expected on or after 1 April 2023.

On June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implement a domestic top-up tax and a multinational top-up tax effective for accounting periods starting on or after 31 December 2023. However, this legislation does not apply to the Company in the financial year beginning 1 January 2024 as its revenue does not meet the legislation requirement of being greater than EUR750m in two of the four preceding years, the Company will continue to monitor the legislation in the future years.

13. Property, plant and equipment

	Plant and machinery £000	Office equipment £000	Construction in progress £000	Total £000
Cost or valuation				
At 1 January 2023	-	13	28,925	28,938
Additions	4,887	91	18,753	23,731
Transfers between classes	47,678	-	(47,678)	-
At 31 December 2023	<u>52,565</u>	<u>104</u>	<u>-</u>	<u>52,669</u>
Depreciation				
At 1 January 2023	-	1	-	1
Charge for the year on owned assets	5,377	21	-	5,398
At 31 December 2023	<u>5,377</u>	<u>22</u>	<u>-</u>	<u>5,399</u>
Net book value				
At 31 December 2023	<u>47,188</u>	<u>82</u>	<u>-</u>	<u>47,270</u>
At 31 December 2022	<u>-</u>	<u>12</u>	<u>28,925</u>	<u>28,937</u>

Assets under Construction

For the fabrication of Tunnel Segments, the Company was constructing a factory in Hartlepool. During the period of construction, all capital expenditures are classed as "Construction in progress" and not depreciated. The asset of the factory completed on 21 August 2023, at which time all capitalised expenditure was transferred to "Plant and Machinery" and is being depreciated.

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

14. Leases

Company as a lessee

The Company has lease contracts for buildings used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

Amounts recognised in the Statement of Financial Position relating to leases:

	2023 £000	2022 £000
Right-of-use assets:		
At 1 January	5,876	6,567
Additions	216	-
Depreciation	(722)	(691)
At 31 December	5,370	5,876

Lease liabilities are due as follows:

	2023 £000	2022 £000
Current	671	631
Non-current	4,887	5,369
	5,558	6,000

Right-of-use asset is being depreciated over the length of the lease.

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2023 £000	2022 £000
Interest expense on lease liabilities	181	187
Depreciation charge of right-of use assets	722	691

Total cash outflow for leases was £840k (2022: £800k).

STRABAG UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

15. Stocks

	2023	2022
	£000	£000
Raw materials	3,592	991
	<u>3,592</u>	<u>991</u>
	<u><u>3,592</u></u>	<u><u>991</u></u>

16. Debtors

	2023	2022
	£000	£000
Trade debtors	2,912	2,365
Amounts owed by group undertakings	10,612	697
Other debtors	72	399
Prepayments and accrued income	8,000	8,069
Tax recoverable	9,661	-
Contract assets	-	3,865
	<u>31,257</u>	<u>15,395</u>
	<u><u>31,257</u></u>	<u><u>15,395</u></u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

17. Cash and cash equivalents

	2023	2022
	£000	£000
Cash at bank and in hand	9,885	5,959
	<u>9,885</u>	<u>5,959</u>
	<u><u>9,885</u></u>	<u><u>5,959</u></u>

STRABAG UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023****18. Creditors: Amounts falling due within one year**

	2023	2022
	£000	£000
Trade creditors	2,425	4,605
Amounts owed to group undertakings	2,194	19,691
Other taxation and social security	10,521	5,212
Lease liabilities (Note 14)	671	631
Other creditors	-	562
Accruals and deferred income	9,084	13,050
Contract liabilities	17,064	18,187
	41,959	61,938

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

19. Creditors: Amounts falling due after more than one year

	2023	2022
	£000	£000
Lease liabilities (Note 14)	4,887	5,369
Amounts owed to group undertakings	41,526	-
	46,413	5,369

Amounts owed to group undertakings include a loan with the parent company STRABAG AG. The loan bears interest at the 3.3%. The Company is in receipt of a letter of support from STRABAG AG where they have committed that the outstanding amounts owed will not be called for a period of at least 12 months from the signing of the accounts.

20. Deferred taxation

	2023
	£000
Charged to profit or loss	(975)
At end of year	(975)

STRABAG UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

20. Deferred taxation (continued)

The deferred taxation liability is made up as follows:

	2023	2022
	£000	£000
Accelerated capital allowances	(4,344)	-
Tax losses carried forward	3,369	-
	<u>(975)</u>	<u>-</u>

21. Provisions

	Onerous contract provision	Dilapidations provision	Total
	£000	£000	£000
At 1 January 2023	14,512	30	14,542
Charged to profit or loss	-	15	15
Utilised in year	(6,429)	-	(6,429)
At 31 December 2023	<u>8,083</u>	<u>45</u>	<u>8,128</u>

As at 31 December 2023, the Directors have undertaken a review of all open contracts to assess whether any would suggest that they are to be loss making. Subsequently, no new provisions have been made in the year.

During the year the Company has utilised £6,429k of the provision made last year in respect of the project in connection with precast concrete tunnel linings. The future expected loss on this project is expected to be £8,083k, with these losses being covered by future utilisation of the provision.

A dilapidation provision of £45k (2022: £30k) has been included as at 31 December 2023 to take into account the restoration costs included as a financial obligation within a contract entered into during the year ended 31 December 2021.

22. Share capital

	2023	2022
	£000	£000
Allotted, called up and fully paid		
35,000 (2022 - 35,000) Ordinary shares of £1.00 each	<u>35</u>	<u>35</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

23. Pension commitments

The Company operates a defined contribution pension plan. The assets of the plan are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £2,598k (2022: £1,943k). Contributions totaling £1k (2022: £18k payable) were recoverable from the fund at the balance sheet date.

24. Capital commitments

At 31 December, the Company had the following capital commitments:

	2023 £000	2022 £000
Contracts for future capital expenditure not provided in the financial statements - assets in the course of construction	680	12,687
	<u>680</u>	<u>12,687</u>

25. Related party transactions

The Company has taken advantage of the exemption available within FRS 101 not to disclose the specifics of related party transactions between subsidiaries which are wholly owned within the same parent group (STRABAG SE).

As at 31 December 2023, the Company was owed £2,054k (2022: £686k) by Ed Zueblin AG-UK Branch, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £65k (2022: £11k was owed by) to CML Construction Services Limited, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £218k (2022: £2k) to STRABAG AG, the parent company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed net of £34,442k (2022: £18,901k) to Strabag AG-UK Branch, a connected company. Net balance of £7,084k owed by STRABAG AG-UK Branch is not interest bearing and repayable on demand. Balance of £41,526k owed to STRABAG AG-UK Branch is an outstanding loan liability following a debt waiver in the year (see Note 19).

As at 31 December 2023, the Company owed £Nil (2022: £30k) to STRABAG S.P.A CON SOCIO, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £Nil (2022: £13k) to Mobil Baustoffe GMBH, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £193k (2022: £Nil) to Ed Zublin AG, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £19k (2022: £235k) to STRABAG International GmbH, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £Nil (2022: £3k) to TPA GMBH, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company was owed £Nil (2022: £100) by BUG-ALUTECHNIC, a connected company. No interest is charged and it is repayable on demand.

STRABAG UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

25. Related party transactions (continued)

As at 31 December 2023, the Company owed £309k (2022: £281k) to STRABAG BRVZ GMBH, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £7k (2022: £2k) to STRABAG SE, the ultimate parent company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £4k (2022: £29k) to CML Construction Services GMBH, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £2k (2022: £168k) to STRABAG Infrastr. & Safety Solutions GMBH, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £Nil (2022: £16k) to STRABAG INC. CANADA, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company was owed £9 (2022: £127) by STRABAG Sociedad por Acciones, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £3k (2022: £1k) to STRABAG BRVZ A/S, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £142 (2022: £2k) to STRABAG D.O.O. BEOGRAD, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £19k (2022: £8k) to STRABAG BRVZ GMBH & CO.KG, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £1k (2022: £Nil) to STRABAG BMTI GMBH & CO.KG, a connected company. No interest is charged and it is repayable on demand.

As at 31 December 2023, the Company owed £7k (2022: £Nil) to CML Construction Services SRL A SOCIO UNI, a connected company. No interest is charged and it is repayable on demand.

26. Ultimate controlling party

The Group into which the Company was consolidated at period end was STRABAG SE which is incorporated in Austria. Copies of financial statements may be obtained from Triglavstr. 9, 9500 Villach/Austria.

The Company's immediate parent undertaking is STRABAG AG, a company incorporated in Austria.

In the Directors' opinion, the Company's controlling party, is STRABAG SE. There is no one ultimate controlling individual.