

Bilfinger UK Limited

Report and Financial Statements

31 December 2021

Registered No: 5384376



Bilfinger UK Limited

Registered No: 5384376

Directors

A.J. Bonner
D Marcus
P Maurer

Independent Auditors

PricewaterhouseCoopers LLP
The Capitol
431 Union Street
Aberdeen
AB11 6DA

Bankers

Deutsche Bank AG London
Winchester House
1 Great Winchester Street
London
EC2N 2DB

Solicitors

Hill Dickinson LLP
No.1 St Paul's Square
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L3 9SJ

Registered Office

Wilson House
Kelburn Court
Birchwood
Warrington
England
WA3 6UT

Strategic report

The Directors present their strategic report for the year ended 31 December 2021.

Business review

Turnover and profits before taxation are £186,389,000 (2020: £165,736,000) and £2,747,000 (2020: loss of £6,731,000) respectively. After a tax charge of £1,215,000 (2020: tax credit of £516,000) the profit of £1,532,000 (2020: loss of £6,215,000) has been transferred to reserves. The company is an engineering and industrial services provider, providing fully integrated, multidisciplinary support through the life cycle of an asset. This helps to drive efficiency, improve plant performance and reduce maintenance costs for our customers across a number of sectors in particular the chemical and petrochemical, oil and gas, water, power, nuclear and pharmaceutical industries.

The start of 2021 saw a return to improved market conditions following the Covid-19 pandemic and the requirement for customers to complete their outages and enhanced maintenance activities. This turnaround and shutdown activity led to an increase in revenues during the year and a significant improvement in margin with the company therefore returning to profitability during 2021. The business continues to invest in digitalisation to bring efficiencies to the business and clients, with continued growth in both revenue and margins expected over the next five years.

Safety performance continues to be an area of high priority and focus and there are annual continuous improvement plans in place to address all areas in the critical areas of Health, Safety, Environment and Quality. Not all KPIs were achieved in the year, however action plans have been put in place to address these. The year continued to be challenging for the workforce due to the impact of the Covid-19 pandemic especially as most of the workforce was operating on critical national sites.

The company has worked hard at improving the cash position by introducing working capital improvement plans across the key contracts. During 2020 a number of legacy project issues were settled which lead to a significant cash inflow during the first half of 2021 and an overall improvement in the cash position by £20 million.

Future developments

On 29 September 2021, it was announced that another Bilfinger Group company, Bilfinger Salamis UK Limited, would integrate with Bilfinger UK Limited with effect from 1 January 2022. The combined company will trade as Bilfinger UK Limited creating one of the UK's largest tier one contractors. The integration will combine the onshore and offshore capabilities of the two businesses. It will position the company as a key contractor for delivering large renewable energy projects as the UK transitions to net-zero and expand the services and solutions it can provide to customers in oil and gas, food and beverage, chemical, utilities and pharmaceutical. The move will also support Bilfinger UK Limited's diversification and growth strategy as it targets new markets for its services. The business will be led by Sandy Bonner, executive president of the UK region for the Bilfinger Group and managing director of Bilfinger Salamis UK Limited.

Key performance indicators (KPIs)

The Directors consider the main KPIs to be health & safety, revenue growth, gross profit, return on capital employed and days of sales outstanding. Examples of such measures are injury frequency rates, revenue growth (%), gross profit (%), EBITA (%), return on capital employed (%) and the number of days sales are outstanding (days). The Directors have reviewed the performance against KPIs in the year, with plans in place to improve the profitability of the company which can be seen from the improvement year on year as the Company recovers.

Key performance indicators (KPIs)

	2021	2020
Revenue Growth (%)	12.5	(7.7)
Gross Profit (%)	10.5	2.1
EBITA (%)	2.4	(10.1)
ROCE (%)	10.8	(43.3)
DSO (Days)	97	158

Strategic report

Principal risks and uncertainties

The Company has a process for identifying and assessing business risks. These risks are regularly monitored and commercial actions taken where appropriate.

The main business risks facing the Company are oil price, competition, contract delivery, employee recruitment and retention, and continuing customer service development. Company liquidity is managed through a Group treasury arrangement, appropriate to the Company's working capital requirements. Regular cash flow forecasts ensure adequate funding is maintained.

Oil price

Due to the nature of this risk, we cannot mitigate against it, however, the Company has various measures in place to prepare for any unfavourable movements and be equipped to react.

Competition

The Company is always striving for additional market share and have a robust bids and tendering process in order to try and retain and attract more opportunities into the business.

Contract delivery

Contract delivery depends on timing and the quality of resources available as well as relying on third party suppliers to fulfil any obligations. The Company have a project management process in place with a qualified project team for each contract in order to coordinate and deliver to a high standard within a timely manner.

Employee recruitment and retention

The Company has a rigorous process in place regarding the vetting of future employees to make sure they attain the finest recruits and have recently put a plan in place to try and attract and retain staff in a competitive market.

Product and service development

The Company strives to remain a market leader in many areas of the business and are constantly looking at innovating technologies and improved processes in order to remain ahead of the competition and attract market share. The Company is also proactively looking to transition into renewable energy and have a dedicated team in place.

War

The Company does not see any direct impact of the war in Ukraine, as activities take place mainly within the UK and therefore no employees are present in, and no business activity takes place in the affected area.

Pandemic legacy

The global Covid-19 pandemic, which continued into 2021, and its potential to limit the ability of the workforce to move freely, and their ability to perform work on client sites posed a risk to the company. There is also the wider impact on the economy, customer spend and the oil price which is a significant risk. The Board acted swiftly to align the workforce for the future and focus on securing additional clients outside of the declining oil and gas markets. The risk has been actively managed and, as a result, the company is in a stronger position moving forward.

Strategic report

Section 172

In the following section, the Company details the key stakeholders and summarises their interests, how the board has engaged with them and the decisions that have been made as a result of engagement.

Stakeholder	Introduction	Engagement	Outcome
Employees	The Company believes that employees want to work in a positive, safe environment where they are respected and valued with opportunities to learn and reach their full potential. The Company see employees as a fundamental asset of the business.	The Company has engaged with employees using regular communications such as through online platforms, face to face site visits and local meetings. During the global pandemic, technology became a focal point and weekly management meetings were a priority to allow communication within each team. As standard there are regular surveys as well as regular consultations with trade unions. There is also a whistleblowing service that employees are encouraged to use if they have any concerns.	It is clear employees are appreciative of the accessibility to Board members and the creation of an environment where employees are listened to and can contribute to the business. The Company will continue to improve employee engagement.
Unions	The Company upholds the employee's rights to freedom of association, to unionise and to be represented collectively as part of their role.	The Company has engaged with the unions on negotiation of workplace agreements, industrial relations and occupational health and safety.	Employees value their right to be a member of a union.
Customers	Customers are the main focus of the business and it is important that they receive a quality service based on trust and transparency.	The Company has various project teams with dedicated resources in providing the customer with the best service possible and strengthening the understanding of customer needs. The Company engages with customers using the latest technology, data and analytics whilst looking at ways to innovate and make the Company more competitive while being more efficient and cost-effective. The Company also has regular meetings on the completion of projects with the aim to improve.	The Company continues to win major new contracts with existing customers which shows testament to the structure of the business and the value of effective communication and engagement. The Company invests a tremendous amount of effort into the bid and tendering process to assess and deliver the customer's needs.

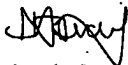
Strategic report

Section 172 (continued)

Stakeholder	Introduction	Engagement	Outcome
Suppliers	The supply chain process is imperative to any business and it is important that we communicate our expectations clearly with suppliers so as to create a smooth and efficient process and the required on time delivery.	The Company has a robust supply chain management process and consults closely with quality management and health and safety in order to acquire superior products and services as part of the Company's offering. The supplier has to go through a rigorous process in order to become an approved vendor and there are various requirements to be met as well as discussions before entering into a contract.	The Company strives to gain the best supply chain offering by retaining quality products and services whilst remaining cost effective. The Company has started the digitalisation project to streamline the vendor approval process and make it more efficient and strive towards a paperless process.
Regulatory Bodies	Executive management and employees engage with government bodies and regulators on a regular basis.	The Company engages with various organisations regarding changes in legislation such as Brexit and changes to IR35. The Company has developed constructive relationships with regional, national and multinational bodies to make sure we are compliant but also take advantage of any schemes to optimise the business.	The company implemented the changes required by IR35 with minimal business disruption or impact. The company is working closely with union bodies and organisations such as the ECITB to maximise opportunities for our employees.
Communities and the Media	The Company recognises that the community and the media have a strong link to the business, branding and its products and services.	The Company is in constant communication with the media to keep the community informed and build on local trust. The Company is committed to developing a local skillset as well as remaining aware of its Corporate Social Responsibilities on all levels.	The Company has created a Corporate Social Responsibility Committee where such matters are discussed. The Company partners with national and local charities, nominated by employees, in order to give back to the community and ensure measures are in place to add value to the community and the business.

Overall, the business has considered the interests of numerous stakeholders, with the main focus being on, but not restricted to the above categories. It is the Board's intention to operate the business in a responsible manner, with high standards of business conduct and good governance expected.

On behalf of the Board



Derek Harcus
Director
10 March 2023

Director's report

The directors present their report and audited financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year amounted to £1,532,000 (2020: loss of £6,215,000). To enable the Company to make repayments towards intercompany loans, no dividend was paid in the year (2020: £nil).

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2015. During the year, the policy of providing employees with information has been continued through the monthly Team Brief and online meetings. In addition, regular meetings are held between local management and employees to allow a free flow of information and ideas, where information relating to the economic and financial factors affecting the performance of the company is discussed.

Modern Slavery Act

The Company is committed to and meets the objectives of the Modern Slavery Act.

As part of the Bilfinger Group, we operate under strict Compliance regulations with a Code of Conduct that sets out the general standards that everyone must meet in terms of compliance and ethical conduct, and lays out the general principles that we must adhere to in everything we do and influences important aspects of our business dealings.

Our Code of Conduct is underpinned by an Integrity Guideline, Competition Guideline and Third Party Guideline, all of which ensure that we adhere to fair employment, ethical behaviour and forbids illegal employment, and ensures our supply chain is audited and checked to comply with our standards.

This means we operate with transparency, responsibility, security and integrity in dealing with business partners and colleagues. The Bilfinger Group expects all of its employees to put this corporate philosophy into practice on their own. Executives, who lead by example, have been given particular responsibilities in this regard, but all our employees are supported and trained in compliance.

The Bilfinger Group has enacted compliance regulations that apply throughout the Group. The "Compliance" e-learning training program conveys these values in an interactive, online format.

Bilfinger Group companies will not be in business contact with customers and suppliers that are listed on sanction lists.

The Group has a clear Whistleblowing Policy and actively encourages the reporting and exposure of unethical behaviour through a confidential reporting line, and all matters raised are thoroughly investigated and appropriate action is taken in accordance with the Group's compliance standards.

The Group continues to build on the approach deployed to ensure that it operates free from enforced labour, human trafficking and slavery.

Director's report

Health and safety

The Company attaches great importance to the health, safety and welfare of all its employees. An experienced team of Safety Officers have the task of safety training and monitoring compliance with regulations.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

A J Bonner (appointed 1 January 2022)
D Harcus

The directors of the Company who resigned in the period before the date of signing the financial statements were:

P Maurer (resigned 31 December 2022)
N J O'Keeffe (resigned 25 April 2022)
M R Perry (resigned 1 July 2021)

Going concern

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

The directors have reviewed the profit and cash flow forecasts for the period to 31 December 2027 in detail and also have prepared a five year plan, which has enabled them to conclude that the business can continue as a going concern. The future workload is underwritten by key long term contracts and the recent impact of Covid-19 has enabled the directors to right size the business to safeguard the Company's future. Lessons have been learned from prior year project losses and new processes and procedures put in place and further sensitivity analysis has been prepared based only on current secured work. The order book for 2022 and beyond is strong with additional potential for other opportunities. As a result, the Company is expected to generate positive cash flows on its own account for the period to 31 December 2027. The Company also participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

When concluding on the going concern status we considered the impact of many factors including the impact of the war in Ukraine and the prospect of future associated lost revenue and cash flows. Additional procedures have been performed as part of the going concern review by directors including additional stress testing. The current levels of secured work in the MMO business has been considered as an appropriate worst-case scenario when performing this stress testing, as well as the impact of a 15% fall in cash flows generated. On review of the results of this sensitivity testing, the directors expect the business to be both profitable and cash generative for both the 2022 financial year and period to 31 December 2027.

The directors, have considered the financial position and future prospects of the Company. In addition, the directors have made enquiries of Bilfinger SE in order to satisfy themselves that financial support would be available from this company should it be needed and a letter of financial support has been received from Bilfinger SE covering the period to 31 March 2024. The directors have considered the ability of Bilfinger SE to provide such support with no significant concerns noted. Details of banking arrangements for Bilfinger SE may be found in its own financial statements.

Based on their considerations and enquiries, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern for the period of 12 months from the date of approval of these financial statements. Therefore, on the basis of their assessment of the Company's financial position and of their enquiries made of Bilfinger SE, the directors have adopted the going concern basis of accounting in the preparation of these financial statements.

Director's report

Streamlined Energy and Carbon Reporting (SECR)

The Company is subject to new requirements under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 to report on carbon and energy usage. This is the second year of reporting and the Company has taken the decision to use a rolling baseline for comparisons.

Methodology

The emissions and energy usage is reported for the period 1 January 2021 to 31 December 2021. Usage in buildings has been calculated based on meter readings and amounts invoiced by gas and electricity suppliers for the period. In instances where invoices are not available, the amounts have been estimated on the basis of usage demonstrated in the invoices available. The Company operates some properties where energy usage is managed and paid by the landlord; where a sub-metering arrangement exists, this usage is included in-line with relevant meter readings. Where no sub-metering arrangement is in place, this usage has been estimated on the basis of the size and number of people based in the property.

Fuel usage is based on amounts charged to company fuel cards. This is supplemented by information collected from expenses systems – both purchase of fuel and mileage claims. In instances where only the cost of fuel is available, the average cost per litre from across the year has been used to calculate the number of litres – any differences arising from this assumption is not deemed material to the overall energy usage of the Company.

Greenhouse gas conversion factors as per 2021 (revised January 2022), as provided by the UK Government, have been used to calculate the relevant kg CO₂e and kWh values from the data collected.

In 2021, the Bilfinger Group invested in a new energy tracking system for the group called WeSustain. This platform has enabled a more systematic methodology for collecting relevant information on energy usage and making estimates where information is not available. As this system has been rolled out, it has been used to collate information for 2020 and 2021. As a result of the additional review performed through this system roll-out, some of the estimates made for the 2020 figures have been updated. To provide the most relevant figures for comparison, the 2020 comparatives have been restated using the updated methodology. This system requires operational and financial control. Operational control in entering the information and approval by finance.

Consumption

	2021 (000 kWh)	2020 (000 kWh)
Total energy consumption – Gas (2020: restated)	646	753
Total fuel consumption – Transport	4,778	4,852
Total energy consumption – Electricity (2020: restated)	859	1,083
Total consumption	6,283	6,688

Emissions

	2021 (tCO ₂ e)	2020 (tCO ₂ e)
Scope 1		
Emissions from combustion of fuel – Gas (2020: restated)	118	138
Emissions from combustion of fuel for transport	1,131	1,156
Scope 2		
Emissions from purchased energy (location method) – Electricity (2020: restated)	182	252
Total emissions (scopes 1 and 2)	1,431	1,546
Emission intensity (scopes 1 and 2)		
tCO ₂ e per FTE employee (2011 employees:2021, 2026 employees:2020)	0.70	0.76
tCO ₂ e per £1m of revenue (£186m:2021, £166m 2020)	7.69	9.31

Director's report

Energy Efficiency Measures

The Company recognises the importance of energy efficiency measures and the need to reduce fuel consumption and energy usage. The Covid-19 pandemic has had a significant impact on business operations including any planned efficiency measures.

As mentioned above, the Company has implemented a new energy tracking tool in 2021, WeSustain. This tool has been used initially to track energy consumption across the business to provide accurate information to guide business decisions. There are plans in place to make use of the information gathered to improve energy efficiency across 2022.

The Company has started to implement telematics systems for tracking vehicles, with this implementation continuing across 2022. Analysis of data from these systems to support decision making around vehicle usage and to reduce fuel usage within the Company began in early 2021. As business operations continue to recover from Covid-19, an increased focus on this area is planned across 2022 and beyond.

Risk management

The Company is required to adhere to the group policy on risk management. This serves to identify and specifically manage relevant strategic, operational and financial risks as well as compliance risks. These are managed locally through the group wide risk management system (RMS) where risks are identified, monitored and managed. Various committees and roles across the organisation mitigate such risks and the Bilfinger Group also conduct monthly and annual internal audits on internal controls within the business.

Disclosure of information to the auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 7. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Subsequent Events

On 29 September 2021, an announcement was made that Bilfinger Salamis UK Limited will merge with Bilfinger UK Limited with effect from 1 January 2022. The merger has now taken place. There are no material impacts of this announcement expected on the financial statements for the year ended 31 December 2021. No other material events have occurred since the statement of financial position date that would affect the financial statements of the company.

Independent Auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the appointment of PricewaterhouseCoopers LLP as auditors of the Company.

The financial statements on pages 1 to 35 were approved by the Board of Directors on 10 March 2023 and signed on its behalf by:



Derek Marcus
Director
10 March 2023

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Report and Financial Statements and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

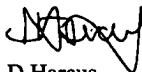
The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.



D Harcus
Director
10 March 2023

Independent auditor's report to the members of Bilfinger UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Bilfinger UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2021; the Income statement, Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on

Independent auditor's report to the members of Bilfinger UK Limited

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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the members for the financial statements

As explained more fully in the Directors' responsibilities statements, the members are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The members are also responsible for such internal control as they 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 members 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 members either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK Corporate tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management and those charged with governance around known or suspected instances of non-compliance with laws and regulations;
- Challenging management on assumptions made in their significant accounting estimates;
- Identifying and testing journal entries with specific focus on entries containing unusual account combinations in response to the risk of management override of controls; and

Independent auditor's report to the members of Bilfinger UK Limited

- Review of board minutes

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the members were not entitled to: prepare financial statements in accordance with the small companies' regime. We have no exceptions to report arising from this responsibility.

Julie Watson

Julie Watson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
10 March 2023

Income statement

For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	3	186,389	165,736
Cost of sales		(166,809)	(162,259)
Gross Profit		19,580	3,477
Administrative expenses		(13,266)	(11,035)
Administrative expenses – exceptional	4	(943)	(4,644)
Impairment of financial asset	16	(4,989)	(13,897)
Other operating income	5	4,050	9,348
Operating Profit / (Loss)	6	4,432	(16,751)
Income from shares in group undertakings	7	-	11,000
Interest payable and similar expenses	11	(1,685)	(980)
Profit / (Loss) on ordinary activities before taxation		2,747	(6,731)
Tax on profit / (loss) on ordinary activities	12	(1,215)	516
Profit / (Loss) for the financial year		1,532	(6,215)

All activities relate to continuing operations. The notes numbers 1 to 28 on pages 17 to 35 form part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 £000	2020 £000
Profit / (Loss) for the financial year	1,532	(6,215)
Total Comprehensive Income / (Expense)	1,532	(6,215)

Statement of changes in equity

For the year ended 31 December 2021

	<i>Called up share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total Equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2020	117	2,281	9,494	11,892
Total Comprehensive Expense	-	-	(6,215)	(6,215)
Share based payment	-	-	84	84
At 31 December 2020	<u>117</u>	<u>2,281</u>	<u>3,363</u>	<u>5,761</u>
Total Comprehensive Income	-	-	1,532	1,532
Share based payment	-	-	10	10
At 31 December 2021	<u>117</u>	<u>2,281</u>	<u>4,905</u>	<u>7,303</u>

Share capital

The share capital account reflects all capital raised by the company in exchange for shares.

Share premium

The share premium account includes any premiums on the issue of share capital over and above the notional value.

Profit and loss account

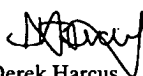
The profit and loss account includes all current and prior year retained profits and losses.

Statement of financial position

For the year ended 31 December 2021

		2021	2020
	<i>Note</i>	£000	£000
Fixed assets			
Tangible assets	13	12,608	9,875
Intangible assets	14	4,618	4,635
Right-of-use assets	15	4,781	3,640
Investments	16	-	4,989
		<u>22,007</u>	<u>23,139</u>
Current assets			
Trade and other receivables	17	52,065	60,180
Cash at bank and in hand		-	116
		<u>52,065</u>	<u>60,296</u>
Current liabilities			
Trade and other payables	18	32,906	44,746
Net current assets		<u>19,159</u>	<u>15,550</u>
Total assets less current liabilities		41,166	38,689
Non-current liabilities			
Lease liabilities	19	3,863	2,928
Amounts owed to group undertakings	20	30,000	30,000
Net assets		<u>7,303</u>	<u>5,761</u>
Capital and reserves			
Called up share capital	23	117	117
Share premium account		2,281	2,281
Profit and loss account		4,905	3,363
Total Equity		<u>7,303</u>	<u>5,761</u>

The financial statements on pages 1 to 35 were approved for issue by the Board of Directors on 10 March 2023 and signed on its behalf by


Derek Marcus
Director

Notes to the financial statements

For the year ended 31 December 2021

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

Bilfinger UK Limited is a private company limited by shares. Bilfinger UK Limited is an engineering and industrial services provider, providing fully integrated, multidisciplinary support through the life cycle of an asset. This helps to drive efficiency, improve plant performance and reduce maintenance costs for our customers across a number of sectors in particular the chemical and petrochemical, oil and gas, water, power, nuclear and pharmaceutical industries.

The financial statements of Bilfinger UK Limited (the "Company") for the year ended 31 December 2021 were authorised for issue by the board of directors on 10 March 2023 and the balance sheet was signed on the board's behalf by Derek Harcus. Bilfinger UK Limited is incorporated and domiciled in United Kingdom.

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

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

The Company has taken advantage of the exemption under s401 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of Bilfinger SE (An entity established under the law of an EEA State)

The results of Bilfinger UK Limited are included in the consolidated financial statements of Bilfinger SE which are available from Corporate Headquarters, Oskar-Meixner-Straße 1, 68163 Mannheim, Germany.

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

2. Accounting policies

Basis of preparation

The Company has prepared the financial statements in accordance with the Companies Act 2006 as applicable to companies using FRS 101 for all periods presented. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021. The accounting policies have been applied consistently except where new policies have been adopted.

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

- (i) The requirements of paragraphs 62 and B67 of IFRS 3 Business Combinations;
- (ii) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (iii) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (a) paragraph 79(a)(iv) of IAS 1;
 - (b) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (c) paragraph 118(e) of IAS 38 Intangible Assets;
- (iv) the requirements of IAS 7 Statement of Cash Flows;
- (v) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (vi) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member. The requirements of paragraph 17 of IAS 24 Related Party Disclosures.

Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

Basis of preparation (continued)

- (vii) the requirements of paragraph 91 to 99 of IFRS13 Fair Value Measurement regarding financial instrument valuation techniques and inputs used for fair value measurement;
- (viii) the requirements of paragraph 4 of IFRS 10 Consolidated Financial Statements regarding presentation of consolidated financial statements.

Going concern

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

The directors have reviewed the profit and cash flow forecasts for the period to 31 December 2027 in detail and also have prepared a five year plan, which has enabled them to conclude that the business can continue as a going concern. The future workload is underwritten by key long term contracts and the recent impact of Covid-19 has enabled the directors to right size the business to safeguard the Company's future. Lessons have been learned from prior year project losses and new processes and procedures put in place and further sensitivity analysis has been prepared based only on current secured work. The order book for 2022 and beyond is strong with additional potential for other opportunities. As a result, the Company is expected to generate positive cash flows on its own account for the period to 31 December 2027. The Company also participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

When concluding on the going concern status we considered the impact of many factors including the impact of the war in Ukraine and the prospect of future associated lost revenue and cash flows. Additional procedures have been performed as part of the going concern review by directors including additional stress testing. The current levels of secured work in the MMO business has been considered as an appropriate worst-case scenario when performing this stress testing, as well as the impact of a 15% fall in cash flows generated. On review of the results of this sensitivity testing, the directors expect the business to be both profitable and cash generative for both the 2022 financial year and period to 31 December 2027.

The directors, have considered the financial position and future prospects of the Company. In addition, the directors have made enquiries of Bilfinger SE in order to satisfy themselves that financial support would be available from this company should it be needed and a letter of financial support has been received from Bilfinger SE covering the period to 31 March 2024. The directors have considered the ability of Bilfinger SE to provide such support with no significant concerns noted. Details of banking arrangements for Bilfinger SE may be found in its own financial statements.

Based on their considerations and enquiries, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern for the period of 12 months from the date of approval of these financial statements. Therefore, on the basis of their assessment of the Company's financial position and of their enquiries made of Bilfinger SE, the directors have adopted the going concern basis of accounting in the preparation of these financial statements.

Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

Changes to accounting policies and disclosures

New and amended standards and interpretations adopted by the Company

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting period beginning on or after 1 January 2021:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Phase 2)
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Financial Instruments: Disclosures – Interest Rate Benchmark Reform
- Amendments to References to the Conceptual Framework in IFRS standards

These have been adopted by the Company.

It is not anticipated that the applications of these standards and amendments will have any material impact on the Company's financial statements.

Judgement and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Significant accounting policies

Revenue recognition of maintenance contracts

The Company accounts for revenue in accordance with IFRS 15. This requires judgement to determine accurate estimates of the extent of progress towards contract completion and may involve estimates of the total contract costs, remaining costs to completion, total revenues, contract risks and other judgements.

Leases - estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the Company's functional currency).

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating). There were no sources of significant estimation uncertainty.

Foreign currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

Exceptional Items

The company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Investments

Investments in subsidiaries are held at historical cost less any applicable provision for impairment.

Intangible Assets

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

The UK Companies Act requires goodwill to be reduced by provisions for depreciation on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS3 Business Combinations, goodwill is not amortised. Consequently, the Company does not amortise goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a "true and fair view override" to overcome the prohibition on the non-amortisation of goodwill in the Companies Act. The Company is not able to reliably estimate the impact on the financial statements of the true and fair view override on the basis that the useful life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

Goodwill is initially measured at cost being the excess of the aggregate of the acquisition date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided on a straight-line basis at the following rates:

Software	25%
Other	12.5%

Intangible assets with a finite life are amortised over their useful economic life using a straight-line method unless a better method reflecting the pattern in which the asset's future economic benefits are expected to be consumed can be determined. The amortisation charge in respect of intangible assets is included in the administrative expenses line of the income statement. The expected useful lives of assets are reviewed on an annual basis. Any change in the useful life or pattern of consumption of the intangible asset is treated as a change in accounting estimate and is accounted for prospectively by changing the amortisation period or method. Intangible assets are assessed for impairment wherever there is an indication that the intangible asset may be impaired.

Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

Tangible fixed assets

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Leasehold Improvements	10%
Plant and machinery	7½% - 15%
Fixtures and fittings	20% - 25%
Motor vehicles	20% - 25%

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Leases

In accordance with IFRS16, a lessee has to recognise a right-of-use asset and a lease liability for basically all leases.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold Property	4 to 10 years
Motor Vehicles	1 to 4 years
IT Hardware	4 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section "Impairment of non-financial assets".

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably

Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

Leases (continued)

(ii) Lease liabilities (continued)

certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

Financial assets at fair value through profit or loss

- Loans and receivables
- Impairment

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value reported in the consolidated income statement.

The fair value changes to undesignated forward currency contracts are reported within other operating income/expenses. The fair value changes are reported within other operating income/expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR)

Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

Financial Assets (continued)

Loans and receivables (continued)

method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. This category generally applies to trade and other receivables.

Impairment of financial assets

The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit and loss. ECLs are based in the difference between contractual cash flows in accordance with the contract and all the cash flows the company expects to receive, discounted at an approximation of the original effective interest rate. ECLs are provided for credit losses that result from default events that are possible within the next 12 months.

Cash at bank and in hand

Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Income taxes

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

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

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

Pensions and other post-employment benefits

Contributions to defined contribution schemes are recognised in the income statement in the period in which they become payable.

Revenue recognition

Revenue is recognised in accordance with IFRS 15. Revenue is shown net of value added tax, returns, rebates and discounts. Claims on customers are claims made for work outside of contractual terms and, as such, are only recognised in revenue once accepted by the customer.

Construction contracts

The Company's revenue streams are not considered particularly complex in nature. IFRS 15 requires the identification of separate performance obligations within the contract. For those contracts where the Company provides a single discipline within a maintenance contract, the identification of the performance obligations has not had an impact on the revenue recognition, as maintenance contracts are accounted for on an earned value basis.

For those multi-disciplinary construction contracts, under IFRS 15, revenue must be recognised separately for each performance obligation identified. The nature of the multi-disciplinary construction contracts is such that a work carried out means that each discipline provided is highly interdependent upon the others and, as a result, could be classed as one performance obligation, therefore there has been no material impact on the recognition of IFRS 15.

Maintenance contracts

Revenues from maintenance contracts are recognised where persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the risks and rewards of ownership

Notes to the financial statements

For the year ended 31 December 2021

2. **Accounting policies (continued)**

Revenue recognition (continued)

Maintenance contracts (continued)

have been transferred to the customer, the amount of revenue can be reliably measured and collection of the related receivable is reasonably assured. IFRS 15 requires the identification of separate performance obligations within a contract. For those contracts where the company provides a single discipline, there has not been any impact under the new standard. Where the company provides multi-disciplinary services within a maintenance contract, the identification of performance obligations has not had an impact on how the company recognises revenue and profit or loss, as maintenance contracts are accounted for on an earned value basis.

Government grants

The company recognises government grants at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to property, plant and equipment, the fair value is credited to deferred income and released to the income statement over the expected useful life of the relevant asset by equal annual instalments. There are unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Notes to the financial statements

For the year ended 31 December 2021

3. Turnover

All turnover and profits/(losses) before taxation are derived from the principal activities of the Company and arose from trading in the United Kingdom. Turnover represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Turnover recognised in the income statement, all of which relates to continuing operations is analysed as follows:

	2021	2020
	£000	£000
Rendering of services	<u>186,389</u>	<u>165,736</u>

The Company's turnover and profit/(loss) before taxation are derived principally from operations in Europe.

An analysis of turnover by geographical market is shown below:

	2021	2020
	£000	£000
Europe	<u>186,389</u>	<u>165,736</u>
	<u>186,389</u>	<u>165,736</u>

4. Administrative expenses - exceptional

	2021	2020
	£000	£000
Recognised in arriving at the operating profit/(loss) from continuing operations:		
Reorganisation costs	943	4,644
	<u>943</u>	<u>4,644</u>

5. Other operating income

	2021	2020
	£000	£000
Intercompany income	2,977	-
Government grants	1,073	9,348
	<u>4,050</u>	<u>9,348</u>

The Company received a government grant from the Coronavirus Job Retention Scheme in relation to retaining employees and safeguarding the future of their employment. All relevant conditions of this grant have been met.

Notes to the financial statements

For the year ended 31 December 2021

6. Operating profit / (loss)

This is stated after charging:

	2021	2020
	£000	£000
Amortisation of intangible assets	17	184
Depreciation of tangible fixed assets	3,009	2,807
Depreciation of right-of-use assets	1,106	871

7. Income from shares in group undertakings

	2021	2020
	£000	£000
Dividends received	-	11,000
	-	11,000

A dividend of £11,000,000 was received from Bilfinger Construction UK Limited in 2020 (see Note 16).

8. Auditors remuneration

The Company paid the following amounts to its auditors in respect of the financial statements and for other services provided to the Company.

	2021	2020
	£000	£000
Audit of the financial statements	68	65

There were no non-audit fees during the year or prior year.

9. Staff costs

	2021	2020
	£000	£000
Wages and salaries	101,911	81,049
Social security costs	10,386	9,062
Other pension costs (note 26)	2,288	1,983
	114,585	92,094

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

	2021	2020
	No.	No.
Administration	460	436
Operations	1,551	1,590
	2,011	2,026

Notes to the financial statements

For the year ended 31 December 2021

10. Directors' remuneration	2021	2020
	£000	£000
Directors' remuneration	506	623
Compensation for loss of office	-	50
Company contribution to money purchase pension schemes	27	29
Gains as a result of exercising share options	175	-
	<u>708</u>	<u>702</u>

The remuneration of the highest paid director was £355,000 (2020 - £244,000) and pension contributions of £Nil (2020 - £Nil) made on their behalf. Share options of £109,862(2020: £0) were also exercised under a Long term investment scheme.

Retirement benefits accrued to the following number of directors during the year under:

	2021	2020
	No.	No.
Money purchase pension schemes	<u>2</u>	<u>3</u>

11. Interest payable and similar expenses	2021	2020
	£000	£000
Lease interest – Right-of-use asset	181	55
To other group undertakings	1,504	925
	<u>1,685</u>	<u>980</u>

12. Tax on profit/(loss)	2021	2020
	£000	£000
<i>Current year tax:</i>		
Current year tax charge	501	-
Tax charge in respect of R&D Expenditure Credit	-	116
Amounts over provided in previous years	(501)	-
Total current income tax	-	116
<i>Deferred Tax:</i>		
Origination and reversal of temporary differences	984	(535)
Tax over provided in previous years	231	(97)
Total deferred tax	<u>1,215</u>	<u>(632)</u>
Tax expense/credit in the income statement	<u>1,215</u>	<u>(516)</u>

Notes to the financial statements

For the year ended 31 December 2021

12. Tax on profit/(loss)

Reconciliation of the total tax charge

	2021 £000	2020 £000
Profit/loss on ordinary activities before taxation	2,747	(6,731)
Tax at UK standard rate of corporation tax of % (2020: 19%)	522	(1,279)
Expenses not deductible for tax purposes	967	2,950
Income not taxable	-	(2,090)
Corporation tax over provided in previous years	(501)	(97)
Impact of super deduction for capital allowances	(139)	-
Deferred tax under provided in previous years	232	-
Deferred tax rate adjustment	134	-
Total tax expense/(credit) reported in the income statement	<u>1,215</u>	<u>(516)</u>

Change in Corporation Tax rate:

The Finance Act 2020 was enacted on 27 July 2020. This Act included provisions revoking the proposed rate of UK corporation tax to 17% from 1 April 2020. The Finance Act 2021 became substantively enacted on 24 May 2021 and included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1st April 2023. Accordingly, the relevant deferred tax balances have been re-measured using the rate of 25%.

Notes to the financial statements

For the year ended 31 December 2021

13. Tangible assets

	<i>Leasehold Improvements</i>	<i>Plant and machinery</i>	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£000	£000	£000	£000	£000
<i>Cost:</i>					
At 1 January 2021	679	18,707	2,622	640	22,648
Additions	24	5,560	157	19	5,760
Disposals	(6)	(40)	(17)	(77)	(140)
At 31 December 2021	<u>697</u>	<u>24,227</u>	<u>2,762</u>	<u>582</u>	<u>28,268</u>
<i>Accumulated depreciation</i>					
At 1 January 2021	165	10,571	1,850	187	12,773
Charge for period	74	2,429	383	123	3,009
Disposals	(2)	(32)	(11)	(77)	(122)
At 31 December 2021	<u>237</u>	<u>12,968</u>	<u>2,222</u>	<u>233</u>	<u>15,660</u>
<i>Carrying amount:</i>					
At 31 December 2021	<u>460</u>	<u>11,259</u>	<u>540</u>	<u>349</u>	<u>12,608</u>
At 31 December 2020	<u>514</u>	<u>8,136</u>	<u>772</u>	<u>453</u>	<u>9,875</u>

Notes to the financial statements

For the year ended 31 December 2021

14. Intangible assets

	<i>Goodwill</i>	<i>Computer Software</i>	<i>Other</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>				
At 1 January 2021	4,603	532	430	5,565
Additions	-	-	-	-
At 31 December 2021	<u>4,603</u>	<u>532</u>	<u>430</u>	<u>5,565</u>
<i>Accumulated amortisation:</i>				
At 1 January 2021	-	500	430	930
Charge for period	-	17	-	17
At 31 December 2021	<u>-</u>	<u>517</u>	<u>430</u>	<u>947</u>
<i>Carrying amount:</i>				
At 31 December 2021	<u>4,603</u>	<u>15</u>	<u>-</u>	<u>4,618</u>
At 31 December 2020	<u>4,603</u>	<u>32</u>	<u>-</u>	<u>4,635</u>

Included in intangible assets is Goodwill of £4,603,000 which arose on the acquisition of HG group on 28th September 2012.

Notes to the financial statements

For the year ended 31 December 2021

15. Right-of-use assets

	<i>Leasehold Property £000</i>	<i>Motor Vehicles £000</i>	<i>IT Hardware £000</i>	<i>Total £000</i>
<i>Cost:</i>				
At 1 January 2021	4,726	451	176	5,353
Additions	2,067	246	-	2,313
Disposals	(15)	(165)	(126)	(306)
At 31 December 2021	<u>6,778</u>	<u>532</u>	<u>50</u>	<u>7,360</u>
<i>Accumulated Depreciation:</i>				
At 1 January 2021	1,361	239	113	1,713
Charge for period	980	80	46	1,106
Disposals	(1)	(113)	(126)	(240)
At 31 December 2021	<u>2,340</u>	<u>206</u>	<u>33</u>	<u>2,579</u>
<i>Carrying amount:</i>				
At 31 December 2021	<u>4,438</u>	<u>326</u>	<u>17</u>	<u>4,781</u>
At 31 December 2020	<u>3,365</u>	<u>212</u>	<u>63</u>	<u>3,640</u>

Notes to the financial statements

For the year ended 31 December 2021

16. Investments	£000
<i>Cost:</i>	
At 1 January 2021	18,886
At 31 December 2021	<u>18,886</u>
<i>Impairment:</i>	
At 1 January 2021	13,897
Charge for period	4,989
At 31 December 2021	<u>18,886</u>
<i>Carrying amount:</i>	
At 31 December 2021	-
At 31 December 2020	<u>4,989</u>

Details of Group Undertakings

Details of the investment in which the Company holds 20% or more of the nominal value of any class of share capital at 31 December 2021 are as follows: -

<u>Company name</u>	<u>% of Ordinary shares held</u>	<u>Held by</u>	<u>Nature of business</u>
Bilfinger Construction UK Limited	100%	Bilfinger UK Limited	Active

Bilfinger Construction UK Limited was incorporated in Great Britain with the registered office being Wilson House, Kelburn Court, Birchwood, Warrington, England, WA3 6UT.

The investment in Bilfinger Construction UK Limited has been assessed for indicators of impairment as at 31 December 2021. The strategic plan for the business has led to concern that the carrying amount of the investment may exceed the recoverable amount.

A value in use assessment of the investment in Bilfinger Construction UK Limited was undertaken. The full value of the investment has been impaired to £nil (2021:£4,989,000) due to the review of the discounted cash flow for the business and the nature of its activities going forward.

Notes to the financial statements

For the year ended 31 December 2021

17. Trade and other receivables	2021 £000	2020 £000
Amounts recoverable under contracts (contract assets)	24,527	21,504
Trade debtors	22,735	30,588
Amounts owed by group undertakings	1,722	3,389
Corporation tax and R&D Expenditure Credit	677	611
Deferred tax	-	654
Other debtors	254	351
Prepayments and accrued income	2,150	3,083
	<u>52,065</u>	<u>60,180</u>

The impairments recognised on trade debtors with IFRS 9 for 12 months expected credit losses developed as follows:

	2021 £000	2020 £000
As at 1 January	866	1,199
Provision for expected credit losses	94	(333)
As at 31 December	<u>960</u>	<u>866</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

18. Trade and other payables	2021 £000	2020 £000
Trade creditors	13,510	12,498
Amounts owed to group undertakings	3,231	20,978
Other creditors	251	1,358
Other taxation and social security costs	9,598	6,720
Corporation tax	-	116
Deferred tax	561	-
Lease liabilities (note 19)	1,032	775
Accruals and deferred income	3,630	2,301
Provisions	1,093	-
	<u>32,906</u>	<u>44,746</u>

Notes to the financial statements

For the year ended 31 December 2021

19. Lease liabilities

	2021 £000	2020 £000
As at 1 January	3,703	4,518
Additions	2,268	68
Accretion of Interest	181	55
Disposals	(66)	(2)
Payments	(1,191)	(936)
As at 31 December	<u>4,895</u>	<u>3,703</u>
Current	1,032	775
Non-current	3,863	2,928

20. Amounts owed to group undertakings

	2021 £000	2020 £000
Amounts owed to group undertakings	30,000	30,000
	<u>30,000</u>	<u>30,000</u>

On 31 October 2020, the Company converted £30,000,000 owed to group undertakings as part of the group cash pooling arrangement to a loan. The effective interest rate is 4.5% with interest paid monthly. The capital of £30,000,000 is due for repayment on 31 October 2023. The loan is on commercial terms and initial recognition has been at fair value and subsequently at amortised cost.

21. Deferred tax assets

	2021 £000	2020 £000
Accelerated capital allowances	669	250
Other timing differences	(108)	(904)
	<u>561</u>	<u>(654)</u>
The potential liability for deferred tax is provided in full.		
	£000	£000
Deferred tax provided at start of year	(654)	(22)
Release from statement of comprehensive income	1,215	(632)
Deferred tax provided at end of year	<u>561</u>	<u>(654)</u>

Notes to the financial statements

For the year ended 31 December 2021

22. Capital commitments

The Company had capital commitments amounting to £Nil as at 31 December 2021 (31 December 2020 - £Nil).

23. Called up share capital

	2021	2020
	£000	£000
<i>Authorised</i>		
200,000 (2020: 200,000) Ordinary shares of £1 each	200	200
	<u>200</u>	<u>200</u>
	2021	2020
	£000	£000
<i>Allotted, called-up and fully-paid</i>		
117,000 (2020: 117,000) Ordinary shares of £1 each	117	117
	<u>117</u>	<u>117</u>

24. Contingent liabilities

Performance bonds have been entered into in the normal course of business.

25. Off-balance sheet arrangements

There are no material off-balance sheet arrangements.

26. Pension schemes

The Company contributes to a number of defined contribution pension schemes. The total pension cost for the year was £2,288,000 (2020: £1,983,000).

27. Post balance sheet events

While, after the balance sheet date, the Company continues to have a degree of uncertainty with regards to the ongoing impact of the war in Ukraine, the Company is not aware of any other material impacts.

On 29 September 2021, an announcement was made that Bilfinger Salamis UK Limited will merge with Bilfinger UK Limited with effect from 1 January 2022. The merger has now taken place. There are no material impacts of this announcement expected on the financial statements for the year ended 31 December 2021.

28. Ultimate group undertaking

The Company's immediate parent company is Bilfinger Northwest Europe Limited, a company registered in Scotland, UK, with the registered office at 4 Greenhole Place, Bridge of Don, Aberdeen, AB23 8EU.

Bilfinger SE is the ultimate parent company and controlling party, is a company incorporated in Germany, and heads the smallest and largest group in which the results of the company are consolidated.

Copies of the Bilfinger SE financial statements can be obtained from the Bilfinger SE headquarters, Oskar-Meixner-Straße 1, 68163 Mannheim, Germany.