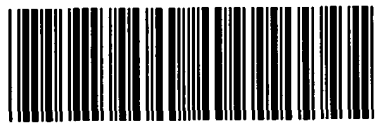


Altrad Babcock Limited

Annual report and financial statements for the year ended 31 December 2022

Reg no. 00839354

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Officers and professional advisers

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John Walsh
Jonathan Gilmore
Andrew Adam Colquhoun
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Strategic report

For the year ended 31 December 2022

The Directors present their strategic report on Altrad Babcock Limited (the 'Company') for the year ended 31 December 2022.

Business Review

Trading performance

The Company is a Construction and Service Company in the Energy sector. It specialises in Nuclear and Thermal generating industries with construction, plant maintenance, service and end of life decommissioning being its key offerings. In its Process sector the Company additionally provides services and engineering solutions to the oil, gas and petrochemicals industries. The company has overseas branches in France and Hong Kong and is privately owned.

The Company has a strategic focus on delivering excellence in engineering, aftermarket and upgrade solutions to the nuclear, oil and gas, petrochemical and process industries. The focus is on establishing and developing long term relationships with its clients to support their infrastructure and to partner their journeys to a greener future. The business contracting model has moved away from large fixed price Engineering, Procurement and Construction (EPC) projects where there is an inherent level of risk to more commercially balanced arrangements. On 25 September 2022, 100% of the ordinary shares in the Company were acquired by Altrad UK Limited. In anticipation of the sale of the shares, a pre-sale reorganisation took place which included the transfer of the shares in subsidiary entity Lentjes GmbH to former parent Doosan Power Systems S.A. (DPSSA), the transfer of the defined benefit pension scheme to Doosan on 22 September 2022 and the elimination of all intercompany balances within the former parent group.

Order intake (a prior key performance indicator for the Doosan Group, as defined in the Appendix) for the Company decreased by 14.6% to £279.3m (2021: £327.1m) due to the timing of long-term framework agreements in 2021. The agreements have generated further work in 2022 and will generate additional turnover in years to come. There was a 16.3% increase in revenues to £335.0m (2021: £287.9m) again, mainly due to revenue from the above framework agreements.

The reported operating loss of £76.1m (2021: £194.5m) was significantly better than last year which contained the effects of a £93.0m impairment of the investment in former subsidiary Lentjes GmbH and intercompany loan impairments of £105.3m. This year's loan impairments were much lower at £60.2m but still significant due to the impairment of the remaining loan to former parent Doosan Power systems SA of £48.7m. Adjusted operating (loss) / profit was £7.5m worse reflecting additional losses on some legacy projects and summer outages on certain large projects which occurred in 2021 and will again in 2023, but did not in 2022.

Net finance income increased to £13.8m (2021: £0.5m) due to exchange gains this year £8.9m (2021 £5.0m loss).

These factors resulted in a loss before tax of £62.3m (2021: £193.9m loss).

Year-end position

The Company's year-end cash position was £30.3m (2021: £0.6m) and net assets were £24.5m (2021: £238.9m). This reflected a dividend declared of £290.0m that was intended to settle all intercompany loans and balances with former parent company Doosan Power Systems SA. However, following a review of the reserves position of the Company by the current directors for the period and consultation with the Company's legal advisors, it is considered that £48.7m of this dividend was unlawful because the Company's available distributable reserves at the date of the dividend's declaration were lower than £290.0 million by this amount. As a result, an intercompany receivable from Doosan Power Systems SA, equal to the amount of the unlawful dividend, is considered to remain due to the Company. The directors have determined the loan to be fully impaired.

A share capital injection of £68m was provided by new parent group Altrad. This was used to provide additional cash for working capital and pay off the overdraft and external borrowings, as a result the cash position has improved. The cash injection came from Altrad UK Limited, which initially took the form of a loan and was predominantly converted to Share Capital during the year.

Financial key performance indicators

The Directors consider that the following key performance indicators (KPIs) are the most effective measures of the performance of the business. These measures are reviewed each month by senior management. With the exception of revenue these are not GAAP measures and are defined in the Appendix at the end of this document.

The following are KPIs followed under the former and current owners of the Company:

Key performance indicator	2022	2021
	£m	£m
Order intake	279.3	327.1
Revenue	335.0	288.0
Adjusted operating (loss)/profit	(0.5)	7.1
EBITDA	0.4	7.8

Strategic report (continued)

For the year ended 31 December 2022

Non-financial key performance indicators

The Directors consider that the following key performance indicators are the most effective measures of achievement of the Company's objective to provide the highest standards of Quality, Health, Safety and Environmental management.

These measures are reviewed each month by senior management and highlight excellent performance and identify any areas for improvement. The objectives are supported by initiatives developed to drive forward continuous improvements to procedures and processes. These are defined in the Appendix at the end of this document.

Key non-financial performance indicators:

Non-financial key performance indicator	Target	2022	2021
Reportable lost time accidents	0	1	1
Accident injury frequency rate (per 100,000 hours worked)	0.00	0.01	0.02
Recordable injury frequency rate (per 200,000 hours worked)	0.00	0.12	0.13
Health and safety regulatory breaches	None	None	None
Environmental issues and compliance with regulator licence	None	None	None
'Achilles' score – independent assessment of supplier credentials for quality, health, safety and environment	100%	100%	100%

Likely future developments

The Business has successfully implemented a series of cost saving programmes over the last 5 years to achieve a right-sized overhead base and ensure the Company is appropriately structured to drive future growth. Further cost savings are being implemented in 2023 as part of the integration of the Babcock business into the Altrad Group. The business will continue its policy of expansion and diversification by looking to capitalise on opportunities in both domestic and international markets. This will help achieve a balanced portfolio of products across various geographies, thereby minimising future risk as well as driving business expansion.

The business continues its expansion into the Nuclear and Process businesses successfully, replacing turnover from the declining coal power sector. Considerable orders have already been secured here, with an order book of £626m in the Nuclear business and £91m in the Process business providing certain turnover and associated margin into 2023 and later years.

On 25th September 2022, the Business was sold to Altrad UK Limited and a process has now begun of integrating the Babcock business with the Altrad Services UK business. It is expected the Company will continue with the strategy above but this will be coupled with the operational and commercial synergies that the integration will create. In quarter one of 2023 an integration and transformation programme was commenced and is expected to be concluded in 2024.

Principal risks and uncertainties

Managing risk is seen as a key attribute of the Company, with a focus on quality in everything we do. The backbone of our business is our people who we make significant efforts to train and develop through our accredited programmes to ensure that they are amongst the best in their respective fields. The major uncertainties in terms of trading in the current market are the fluctuations in raw material costs, exchange rates and timing of new projects.

Supplier and raw material costs

Raw material and supplier costs, especially on key contracts can significantly affect the outcome and potential profitability of a project. In cases where volatility is suffered on such costs, the Company will seek to agree appropriate escalation formulae or cost-plus agreements with Clients to help mitigate this. In most cases it is Company policy to ensure that protection for such price changes is reflected in the contract.

Exchange risk

In respect of foreign currencies, the Company's policy is to hedge significant exposure to movements in exchange rates through the use of the forward market, primarily for Euros, UAE Dirhams, Polish Zloty and HK Dollars. These hedges are made principally to cover foreign currency cash flows on projects. No trading or speculation in financial instruments is undertaken.

Timing of new projects

The timing of new projects can affect the performance in any given year if there are delays to new projects. This risk has been significantly reduced as the business has moved away from large new build projects. With greater volumes of smaller projects, the risk from delays is spread between projects and so the financial risk from one project delay is greatly diminished. The Company addresses the risk that remains by having a portfolio of projects being bid for at any one time and seeking both product and geographical expansion to mitigate the impact of investment decisions.

Strategic report (continued)

For the year ended 31 December 2022

Credit risk

Details of the Company's management of credit risk and liquidity risk can be found in note 12 of the financial statements.

Pension scheme

With regard to the recognition of the pension scheme position, in 2021 and up until 22th September 2022, the Company was exposed to the performance of the assets invested in equities and bonds as well as the impact on liabilities of movements in bond rates and other actuarial assumptions which can vary significantly over time. To tackle these risks the Company took a number of actions over the previous years including closing the defined benefit scheme to new entrants, future accruals, and increasing contributions.

On 22th September 2022 responsibility, and hence all liability, for the Pension scheme was transferred to the Company's former parent DPSSA and from there to a new subsidiary of DPSSA, Doosan Power Systems Pension UK Limited before the Company was sold to Altrad UK Limited. As such the Pension scheme no longer remains a risk to the Company.

Covid-19 Virus

In the early days of the pandemic, the Company developed and implemented a plan of safety measures, designed with the aim of mitigating the impact of Covid 19 by ensuring both the safety of our employees and the continued provision of essential services for our customers, who mainly operate in the critical infrastructure sector.

This planning enabled us to maintain our people's safety, retain workforce confidence and to minimise the impact of Covid-19 on our business.

Whilst these safety measures have now, to a large extent, been demobilised during the first quarter of the year we remain vigilant of the residual risk of Covid-19, particularly the fact that it continues to have unpredictable impacts in some countries. The Directors are confident that should the external environment necessitate, the Company would be able to respond appropriately and rapidly to any resurgence of Covid-19 to minimise any future impact on the business.

Longer term, the effect of general economic downturn as a result of the virus could have an impact on the business, however it is believed that the business is sufficiently resilient to such effects as much of the work performed by the business is critical infrastructure maintenance and servicing, and thus the business is less dependent on the economy as a whole.

Effect of war in Ukraine

The ongoing military conflict in Ukraine and related sanctions targeted against the Russian Federation may have an impact on the UK economy and globally. The Company does not have any direct exposure to Ukraine, Russia or Belarus. The impact on the general economic situation may require revisions of certain assumptions and estimates in the future, although this is not believed to be very probable. As such at the date of these financial statements, management has concluded that this situation does not have a material impact on these statements, nor on the going concern assumption.

Strategic report (continued)

For the year ended 31 December 2022

Section 172 Statement - Duty to promote the success of the company

The directors of the Company have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard amongst other matters to:

- the likely consequences of any decision in the long term,
- the interests of the Company's employees,
- the need to foster the Company's business relationships with suppliers, Clients and others,
- the impact of the Company's operations on the community and the environment,
- the desirability of the Company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the Company.

Considering the Company's stakeholders is an important way the Board makes decisions, although in balancing those different perspectives it will not always be possible to deliver everyone's desired outcome.

Decision making

The Company is led by the Board of Directors comprising the CEO and CFO and Executive Directors who focus on governance, strategic decision-making and representing the interests of shareholders. This is underpinned by the Extended Leadership Team and Management Board which focuses on executing the Company's strategy and managing day-to-day operations.

Strategy

The Company's vision is to be an engineering partner for a low carbon future.

To achieve the vision, the Company has strategic goals and supporting commitments defined with the aim to achieve sustainability and a lower carbon future across the full ecosystem of its business footprint –

- Market Offering: Transitioning and growing our portfolio towards sustainable and low carbon markets
- People: Commitment to develop skills for the future, with equality at the heart of everything we do
- Business Operations: Ensure our operations meet net zero carbon emissions before 2040
- Supply Chain: Partner with supply chain who share our values and commitment to sustainability and safety
- Local Communities: Engage our local communities to promote and support carbon reduction

The Company utilises a business rhythm process which includes Business Reviews which are held at regular intervals throughout the year to report, review and action any strategic, financial and operational matters. In addition, on a yearly basis, The Company undertakes Business Planning to review the strategic direction of the business and define the financial and strategic agenda for the subsequent year. Stakeholders are at the core of the Company business which is focussed on building trusted and long-lasting relationships.

Throughout the year, there are regular strategic and operational business reviews initiated by the Board of Directors to understand Client insights in order to assist business planning. In addition to this, a programme of Executive level engagement with respective Client counterparts is planned, to manage the strategic agenda and maintain relationships from Board level through to operational delivery.

The Company is a people-based organisation and the Board of Directors place people strategy high on their agenda. Health and Safety is the Company's number one value. The voice of its people is channelled through regular business reviews as well as business wide communication forums.

On an annual basis, the Board of Directors appraises the people strategy to ensure critical talent and key skills are maintained and developed within the organisation to meet the short and long-term business plan.

Driving towards a lower carbon future has taken ever greater prominence in the strategic direction and focus of the Board of Directors and its management team.

Strategic report (continued)

For the year ended 31 December 2022

Section 172 Statement - Duty to promote the success of the Company (continued)

Our key stakeholders

Clients

Clients are at the core of the Company business which is focussed on building trusted and long-lasting relationships.

Ensuring Client satisfaction is central to the values of the Board of Directors who realise this through long term collaborative frameworks, a strategy of fostering mutually beneficial client relationships and understanding and meeting client needs. Through its clients the Company generates and maintains a reputation that will extend across its markets and assist in the growth of the business.

Key clients are engaged at many levels across the business, starting with the Directors and cascading down. Stakeholder mapping is used to identify the various decision-making positions within the client structure and mapping these to the organisation. Client relationship plans are developed to ensure that engagement with clients is at the appropriate level within each organisation. These plans are presented to and approved by the Board. Engagement with clients is a continual process that will occur during scope development, project delivery and after project close out. This helps to ensure that the clients' needs have been met. The Company has collaborative relationships with many of its key clients, promoting open communication and discussion at all levels, leading to joint development of projects and speedy resolution of any challenges encountered.

The Board discusses the interactions with the clients of the organisation at all levels. Through this the Directors gain an understanding of the client's problems, requirements and drivers. This allows the Directors to guide the tailoring of Company products and offerings to meet the aspects that clients deem most important to their businesses. Regular engagement with stakeholders across all of the Company's markets also ensures that Directors gain an insight to any changes in market or market drivers which will in turn change or modify the clients' needs and requirements and enable the continued development of the services of the business in order to meet these. The branch offices near to some of the primary work locations, and in north east England are in place to ensure that the needs of its client base in these areas are serviced from a local base thus benefitting the local community and CSR requirements.

The business evolves to meet the changing markets and regulatory requirements and has recognised the change in energy targets which were further clarified during COP26, and the Company is working in partnership with a number of companies and clients to develop carbon capture technologies and low carbon energy production. Examples of this included the demonstration facility at Cranfield University, the Hydrogen gas engines for back up power at Orkney Airport and the ongoing works on the "Net Zero" clusters across the UK.

Suppliers

The Company has some 700 active supply stakeholders (suppliers and subcontractors) that it works with throughout the year. The vast majority of these are locally based, with some 90% within the UK, though some are local subsidiaries of larger international companies. The Board has initiated and approved processes and training programs that mean the Company treats these stakeholders fairly and ensures appropriate competition within its supply markets to help drive improving standards, service, specifications, environmental performance and overall cost.

The Board largely awards business based on Scope Compliance or Benefit, Adherence to fair Terms & Conditions, Delivery Time, Supplier Capability and overall Cost. Where there are additional requirements from other stakeholders (Government or Client) these are also included these within the award criteria, for example Localised Spend, SME targets, higher Environmental Performance etc.

The Board policy is to focus its strategic procurement activities to a group of 50+ suppliers in major supply categories. Using these suppliers, activities are limited to a small circle of partners that the organisation works with on a recurrent basis, using framework agreements, including agreed terms and conditions of trade, cost and rebate structures. Close contact is maintained with these suppliers giving them the opportunity to exchange information to help drive further performance (on both sides). The nominated buyer is clearly stated on all orders. Suppliers not on the approved list are free to contact the nominated buyer if they wish to be considered.

Community and environment

The role of the business in supporting communities in which it operates is high on the agenda of the Board. It sees business and society as a close partnership and an opportunity for mutual growth, therefore creating a socially responsible enterprise. The Directors' goal is to develop and grow alongside society, as a trusted and trustworthy partner and make sure wherever the Company operates, it does so transparently and lawfully. The Directors aim to contribute to the development of talent in society and our community service activities promote both corporate and social development.

Strategic report (continued)

For the year ended 31 December 2022

Section 172 Statement - Duty to promote the success of the company (continued)

Community and environment (continued)

The Board of the Company is committed to tackling the challenge to lower its carbon footprint through two methods:

Firstly, by setting targets. In 2012 the Board set a target to reduce its carbon footprint by 20% by 2020 based on levels at that time. This target was met and as of 2022 has reduced both in absolute terms achieving 66.5% and relative to turnover terms achieving 58.4%. In 2020 the board set a target for the company to have net zero carbon emissions from our own operations by 2040, which shall be achieved by the implementation of our Carbon Reduction Plan. Company carbon emissions are measured and reported through an annual report which is included in these accounts. Our greenhouse gas emissions quantification and reporting process is independently audited by Lloyds Register annually to ISO14064.

Secondly, to continue to evolve the business portfolio to support the overall climate transition in the energy sector, a process which commenced in 2021.

Regulators

The Board recognizes the importance of open and continuous dialogue with its regulatory stakeholders to ensure legal and regulatory compliance. This includes Companies House, Information Commissioner's Office and the Office for Nuclear Regulation. The Company has relevant policies and procedures in place, and these are reviewed on a regular basis. Individual directors engage with the key stakeholders of the Company, carry out various assessments to ensure compliance and mitigate potential regulatory issues.

When regulation requires compliance through employees, processes are in place to cascade these requirements through the Company in order to make sure they are adhered to and meet regulatory requirements and deadlines.

Shareholders

During 2022 the Directors of the Company actively sought out the expectations and requirements of its shareholders when making key decisions and investments. The Directors strive to attract investments in the global market by earning recognition for their genuine values in terms of growth potential and technological competitiveness. On 26th September 2022, the directors changed, with two Altrad UK Limited Directors joining the board, replacing the two Doosan Power Systems Directors.

Considering the composition of the board of directors' personnel, it can be understood that all important matters are structurally reported to the shareholder. As the composition of the Board of Directors is so important, the consent from the shareholder is included in the list of required documents when a director is changed.

Employees

The Directors of the Company regards its employees as its most important resource. Its clients work with the Company because of the skills, competence and standards that its people bring to delivering their projects.

The Board recognises that its workforce must be fully aligned to their individual and the Company success measures. To support this the Directors drive and encourage open and transparent communication across all individuals and employee groups. This base level ethos is important to ensure all of the workforce is engaged and involved in working towards the common success of them as individuals, and of the organisation. At Company level, multiple approaches are initiated by the Board to engaging its workforce across the organisation, the key approaches include:

- Monthly CEO Webinar to the Senior Leadership Team to share business performance, key successes and for the leadership to gain and provide feedback to the CEO/Executive Team, with open Q&A sessions.
- Webinar cascade by the Directors to all employees; communicating current business performance; covering safety, contract successes and targets, business financial updates, and forward business outlook.
- Wellbeing and Mental Health support and online participation programmes are available to all employees, to support employees and their families through any wellbeing matters, be these work or non-work related.
- Quarterly Business Sector based team "town-hall" sessions giving business updates to the teams and open discussion forums.
- Online roll-out Annual business plan, led personally by the CEO, providing the opportunity for open Q&A sessions.
- Senior Leadership Monthly team sessions, utilising the OneDrive structure for consistency in messaging to both office and site-based teams. This provides functional teams the opportunity to raise questions or gain more insight into areas such as business activities and future workload.
- Monthly Safety themes to emphasize the key Company values to all employees whilst reinforcing the need for all to place positive challenge.
- Directors and Senior Leadership Tours to review offices and site locations and to engage in communication with employees to seek feedback on safety and operational activities
- Toolbox talks for Blue Collar workers to ensure that this group of employees have access to the consistent messages available to those who don't have access to the Company intranet on a day-to-day basis.

Strategic report (continued)

For the year ended 31 December 2022

Section 172 Statement – Duty to promote the success of the company (continued)

Employees (continued)

- Continual development of the intranet site business news items, announcement of contract awards, employee personal achievements, CSR activity, Safety Awards and a variety of other areas including the work driven by the Board to support STEM in our communities.
- Business wide Communication Network with employees who volunteer to act as a further conduit for two-way communication across sectors and corporate functions.
- Formal and informal forum for the recognised Employee Representatives / Trade Union elected members in order to discuss any aspect in relation to employees.
- Following the acquisition of the Company by the Altrad Group on 25 September 2022, the Company has commenced a transformation and integration programme, which will see the business fully integrated within the Altrad Services UK Group. A rolling agenda of business wide communications has commenced with the integration programme to ensure that employees are informed and kept updated throughout the process. This remains the primary aspect of engagement with our employees in 2023.

The Board's drive and passion in maintaining strong relationships across our employee groups is a key critical factor to ensuring that the Company ethos of openness and transparency underpins the way the Company operates throughout its business.

Dividends

Prior to the acquisition of the Company by Altrad UK Limited, a pre transaction reorganisation was undertaken with the aim to:

- Transfer the shareholdings in entities not part of the transaction perimeter to Doosan Power Systems SA and
- Eliminate any intercompany loans that spanned the transaction perimeter.

One of the steps undertaken as part of this pre transaction reorganisation was the declaration of a dividend of £290.0m by the Company to its former parent, Doosan Power Systems SA, which was left outstanding on loan account. This loan balance was then, via formal agreement, set off against an aggregate of £290.0m receivables due from Doosan Power Systems SA.

The dividend was declared based on interim accounts. However following finalisation of the financial statements for the year ended 31 December 2022 and consultation with the Company's legal advisors, the current directors consider that £48.7m of the dividend should be treated as being unlawful because the Company's available distributable reserves at the date of the dividend's declaration were lower than £290.0 million by this amount. Consequently, the set-off was not effective in full and as a result, the Company continues to hold a receivable due from Doosan Power Systems SA equivalent to the unlawful element of the dividend.

The current directors have determined the loan to be fully impaired, continue to seek legal advice on the matter and are in discussions with the former shareholder Doosan Power Systems SA with a view to resolving the position.

Approved by the board of directors and signed on behalf of the directors on 17 October 2023.

DocuSigned by:

Jonathan Gilmore

Jonathan Gilmore

Director

Registered Office:

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Barleycastle Lane

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England Registered in England No. 00839354

Directors' report

For the year ended 31 December 2022

The Directors present the annual report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 December 2022. A commentary of future developments in the business, financial risk management objectives and policies, and exposure to price, credit, liquidity, cash flow risk and how the directors have had regard to the need to foster the Company's business relationships with all stakeholders and the effect of that are provided in the Strategic report. Further details on financial risk management can be found in note 12.5 of the accounts.

On 25th September 2022, the Company was sold to Altrad UK Limited and a process has now begun of integrating the Babcock business with the Altrad business. On 27th September 2022, the Company name was changed from Doosan Babcock Limited to Altrad Babcock Limited.

Principal activities

The principal activities of the Company are associated with providing high value-added energy services, innovative technology-led business solutions and new build power plants to the power generation industry and associated markets. The Company continues to diversify with a strategic focus on delivery excellence in engineering, aftermarket and upgrade solutions to the nuclear, oil and gas, petrochemical and process industries.

Results and dividends

The net loss after taxation was £61.4m (2021: net loss £197.5m). For the year ended 31 December 2022 a non-cash dividend of £290.1m was declared in settlement of a loan receivable due from former parent company DPSSA (2021: £Nil).

The Company's net assets at 31 December 2022 are £24.5m (2021:2021 £238.9m).

Directors

The following persons served as directors during the year and up to the date of signing the financial statements:

John Walsh	Appointed 25 September 2022
Andrew Colquhoun	
Cameron Gilmour	Resigned 10 th May 2023
Padraig Somers	Appointed 25 th September 2022
Jonathan Gilmore	Appointed 13 th June 2023
Suk Joo Kang	Resigned 25 th September 2022
Hongook Park	Resigned 25 th September 2022

John Walsh was appointed as CEO of Altrad UK on 7th June 2023

Disabled employees

The policy and practice of the Company is to seek to encourage and assist the employment of disabled persons, subject to their ability to perform the duties of the job without exposing themselves or other employees to abnormal risk. The training, career development and promotion of disabled persons is similarly encouraged and assisted. Arrangements are made wherever possible for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes and abilities.

Employee involvement

The Company's employment policies are designed to meet local conditions and requirements. The Board acknowledges the need to encourage employee involvement in the improvement of the Company's performance by supplying information on matters of concern through regular consultation with employees and by participation of employees in joint problem-solving activities.

Information is provided by various means including briefing groups, audio/visual presentations, the Company's intranet and other publications.

In the Company, joint consultative committees are in operation, which provide an effective means of consultation with employees on a wide range of issues. See Employees section of the Strategic report, page 5 for further details.

Directors' Indemnities

The Company has made no qualifying third-party indemnity provisions for the benefit of its directors.

Directors' report (continued)

For the year ended 31 December 2022

Going concern

Order intake (a prior key performance indicator for the Doosan Group, as defined in the Appendix) for the Company decreased by 14.6% to £279.3m (2021: £327.1m) due to the timing of long term framework agreements in 2021. The agreements have generated further work in 2022 and will generate additional turnover in years to come. There was a 16.3% increase in revenues to £334.9m (2021: £287.9m) again, mainly due to revenue from the above framework agreements.

The reported operating loss of £76.1m (2021: £194.5m) was significantly better than last year which contained the effects of a £93.0m impairment of the investment in former subsidiary Lentjes GmbH.

Net finance income increased to £13.8m (2021: £0.5m) due to exchange gains this year £8.8m (2021 £5.0m loss).

These factors resulted in a loss before tax of £62.3m (2021: £193.9m loss).

The Company has carefully analysed its cash requirements up to 31st October 2024 using financial forecasts. This was undertaken with consideration to the effects of emerging geopolitical strains, inflation challenges and the potential effects of climate change. The Directors have concluded that the forecasts do not provide sufficient assurance that there will be liquidity headroom over this period in the event of plausible downside scenarios.

Accordingly, the Directors have requested and received from the parent undertaking, Altrad Investments Authority SAS ("AIA"), written confirmation of AIA's intention and ability to provide to such financial support as is necessary in order to allow the Company to meet its liabilities as they fall due, for the period to 31st October 2024.

Based on their enquiries, the Directors have concluded that AIA has the intention and ability to provide the support described above, and accordingly they have continued to adopt the going concern basis of accounting in preparing the annual financial statements. These financial statements do not contain any adjustments to the carrying value or classification of assets and liabilities that would result if the Company were unable to continue as a going concern.

Directors' report (continued)

For the year ended 31 December 2022

Streamlined Energy and Carbon Reporting (SECR) regulations

The Company is committed to a zero carbon future. The Company's carbon reduction journey formally began in 2012 when it set a target of reducing its carbon emissions by 20% by 2020, both in absolute terms and relative to turnover, based on its 2012 baseline. In 2020 Altrad Babcock committed to producing Net Zero scope 1 and scope 2 carbon emissions by 2040. There is also a medium term target of reducing its emissions by 80% by 2030 based on the 2012 baseline. Altrad Babcock has produced a Carbon Reduction Plan outlining how it aims to achieve this.

The carbon emissions quantification and reporting system used is verified annually by LRQA to ISO14064 and the most recent assessment shows that Altrad Babcock has achieved a reduction of 66.5% in absolute terms and 58.4% relative to turnover since 2012.

Emissions remain similar to last year compared to significant reductions in previous years. This is largely due to increased travel as pandemic restrictions were lifted. However, some steps were taken to achieve energy savings within the reporting period and include continued installation of LED lighting at the Renfrew and Tipton facilities, changes to heating settings at the main Renfrew site and rationalised occupation at some facilities.

The Altrad Babcock Executive Leadership Team recognised the need to go further with its carbon reduction ambitions and committed to achieving net zero carbon emissions by 2040 through a De-carbonisation Policy. In order to achieve this our Carbon Reduction Plan identifies specific areas and actions that need to be taken. These actions and progress towards the 2040 aim are reviewed regularly with short and medium term targets identified.

The Company measures all Scope 1 and 2 emissions. This includes UK energy use from electricity, gas and transport fuels plus associated greenhouse gas emissions as required by SECR. Transport fuel includes fuel used in company vehicles and re-imburement for employee business road mileage.

The Company quantifies and reports its carbon emissions annually, from 1 April to 31 March each year. These dates are used in order to comply with past and present UK carbon emissions legislation and set a consistent period in which to help compare year on year changes in greenhouse gas emissions.

The table below summarises all UK energy use and associated emissions in the year 1 April 2021 to 31 March 2022.

Energy Type	TCO ₂ eq	Litres	litres/tonne*	kg	kWh/kg*	kWh	% of Total (TCO ₂ eq)	% of Total (kWh)
Electricity (kWh)	1,550	-	-	-	-	7,300,441	41.7%	44.5%
Natural Gas (kWh)	817	-	-	-	-	4,460,236	22.0%	27.2%
Diesel (litres)	706	280,999	1,182	237,772	12	2,805,710	19.0%	17.1%
Petrol (litres)	118	53,940	1,344	40,140	12	488,507	3.2%	3.0%
Red Diesel (litres)	297	107,501	1,171	91,803	12	1,086,026	8.0%	6.6%
LPG (kg)	46	-	-	15,636	13	199,518	1.2%	1.2%
LPG (litres)	9	5,997	1,188	5,049	13	64,431	0.3%	0.4%
Acetylene (kg)	-	-	-	-	-	-	-	-
Refrigerant (kg)	176	-	-	-	-	-	4.7%	-
Total	3,720					16,404,869	100.0%	100.0%

* From DEFRA/DECC "Conversion Factors 2021 Full Set For Advanced Users" (Tab "Fuel Properties")

As a comparison, below is energy use data from the previous year 1 April 2020 to 31 March 2021.

Energy Type	TCO ₂ eq	Litres	litres/tonne*	kg	kWh/kg*	kWh	% of Total (TCO ₂ eq)	% of Total (kWh)
Electricity (kWh)	1,834	-	-	-	-	7,865,235	48.2%	47.5%
Natural Gas (kWh)	931	-	-	-	-	5,065,838	16.3%	30.6%
Diesel (litres)	462	181,387	1,190	152,485	12	1,806,944	18.5%	10.9%
Petrol (litres)	50	22,968	1,357	16,925	12	206,148	1.8%	1.2%
Red Diesel (litres)	363	131,777	1,171	112,533	12	1,331,270	12.2%	8.0%
LPG (kg)	57	-	-	19,471	13	248,454	1.2%	1.5%
LPG (litres)	8	4,867	1,889	2,576	13	32,871	0.2%	0.2%
Acetylene (kg)	-	-	-	33	-	-	0.0%	0.0%
Refrigerant (kg)	60	-	-	-	-	-	1.6%	0.0%
Total	3,765					16,556,760	100.0%	100.0%

* From DEFRA/DECC "Conversion Factors 2020 Full Set For Advanced Users" (Tab "Fuel Properties")

Directors' report (continued)

For the year ended 31 December 2022

Streamlined Energy and Carbon Reporting regulations (continued)

In terms of the UK, the Company carbon emissions have changed, both in absolute terms and relative to turnover (used as the intensity metric) as follows:

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
TCO ₂ eq	13,952	11,976	12,014	11,393	10,084	8,818	6,198	5,189	3,765	3,720
Turnover	473,024	446,580	536,375	502,038	464,035	409,289	381,138	378,008	306,001	299,735
Ratio	29.50	26.82	22.40	22.69	21.73	21.54	16.26	13.73	12.30	12.41

The table below shows how Altrad Babcock Ltd global greenhouse gas emissions have changed, both in absolute terms and relative to turnover.

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
TCO ₂ eq	16,668	14,030	14,881	14,434	13,610	11,668	8,885	7,333	5,807	5,583
Turnover	473,024	446,580	536,375	502,038	464,035	409,289	381,138	378,008	306,001	299,735
Ratio	35.24	31.42	27.74	28.75	29.33	28.51	23.31	19.40	18.98	18.63

The GHG Quantification process takes place annually, following the requirements of ISO14064. All energy types are quantified using primary evidence (eg invoices) and captured on various spreadsheets detailing sums of each of these energy types – electricity, natural gas, diesel, petrol, gas oil, LPGs, biomass, HFO, coal and emissions of refrigerant – and the activity that uses them – eg site fuel order, hired equipment, company fuel card, hertz hire car, expenses claims etc. This process and the evidence have been continually audited and verified by LRQA annually to ISO14064 since 2011-12.

We have followed UK government, DEFRA/DECC and Carbon Trust Guidance on how to measure and report greenhouse gas emissions. The Greenhouse Gas emission factors used are from "2021 Guidelines to DEFRA/DECC's GHG Conversion Factors for Company Reporting" and, for Acetylene, through correspondence with the Carbon Trust. For overseas electricity emissions factors we have used the information from "carbonfootprint.com Country Specific Electricity GHG Emission Factors July 2021" and IEA Emissions factors 2019 tables.

The processes and procedures used for the quantification and reporting of greenhouse gas emissions and removals are set out in accordance with ISO14064 Part One.

Estimates applied in the process were as follows:

Emission for mileage on diesel cars 2.0 litre and below have been estimated using Defra emissions factors.

Certain fuel expense claims do not specify fuel type and an estimate of a 75% diesel, 25% petrol has been applied in these cases.

Electricity at our Gateshead bays site is paid on a fixed monthly rate, this rate has been used to calculate an approximate kWh based on rates applied elsewhere and electricity at some overseas offices is included in the rent and therefore estimates based on similar sized offices are used.

In the 2021-22 period Altrad Babcock began quantifying its Scope 3 emissions, these are emissions that are not directly controlled by the company but it can have an influence on. Scope 3 emissions are broken down into various categories. The emissions per category in the period are as follows:

Scope 3 Category	TCO ₂ Eq
Accommodation	98
Business Travel	327
Employee Commuting	2,926
Transport and Distribution:	242
Waste Disposal	3
Tele-Working (WFH)	279
Fuel and Energy Related Activities	1,200
Supply Chain	47,256
Total	52,330

Directors' report (continued)

For the year ended 31 December 2022

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Corporate Governance arrangements

The Company has policies which cover key areas of Governance such as employees, clients, social responsibility, health and safety, integrity and teamwork. Full details of this are accessible on the internal website for all employees to use as guidance. In addition to this the Company has its own detailed Corporate Governance policy which was set up and approved in January 2019. This policy covers Finance, Human Resources, Legal, Commercial, Communications, Health and Safety, Quality, Strategy and Administration processes. Within these sections are detailed processes covering approval levels and the flow between different levels of authority.

Board Leadership and Company Purpose

The Company's Board promotes the long-term success of the company for the benefit of key stakeholders and wider society. The company's purpose, values, strategy are clearly specified and developed in close conjunction with its parent company. In 2022 annual Operating Plans (AOP) and 5-year Long Range Plans (LRP) were developed and approved as part of a formal Doosan process. AOPs are translated into annual and quarterly performance targets and budgets. Resourcing plans are developed on an annual basis following approval of AOPs, largely on a bottom-up basis based on project workload requirements and workforce policies and procedures are aligned with the company's values and its long-term objectives.

Following joining the Altrad Group the planning process has changed. Budgets are now prepared for 12 month periods, starting September 2022 and subsequently September 2023.

Regular formal and informal communication and engagement activities are managed with participation from the Company's parent company shareholder as well as with local stakeholders including Clients and suppliers.

All directors and employees are required to comply with Code of Conduct requirements and complete mandatory annual Code of Conduct training. As part of the company's Code of Conduct arrangements, a whistleblowing policy including a confidential Whistleblowing hotline is in place.

Division of Responsibilities, Composition, Succession and Evaluation

The chairman leads the board and is responsible for its overall effectiveness in directing the company. The directors exercise objective judgement when reaching their decisions and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all directors, and ensures that directors receive accurate, timely and clear information. The Chief Executive Officer's main responsibility is for the company's management performance and the Chief Finance Officer is responsible for the company's financial performance.

Directors are appointed on merit and objective criteria based on their skills, experience and knowledge without reference to gender, social and ethnic backgrounds.

Directors' report (continued)

For the year ended 31 December 2022

Audit, Risk and Internal Control

The various sectors and functions of the company are responsible for managing, controlling and monitoring risk and applying control. Procedures for managing risk are incorporated within the operating policies and procedures of the company. As examples, potential future orders/ proposals are subject to formal Quality Gate review and approval stages within which a risk assessment process is formally specified and in relation to ongoing projects, the project control, monitoring and review processes also incorporate risk identification and assessment to assist and inform decision-making.

During 2021 the Internal Control & Audit team reported on its plans, activities and findings to both the board as well as Compliance Director at the parent company to ensure independence and to support their monitoring of effectiveness. This team conducts quarterly internal control testing as well as other activities to support management's assurance on the effectiveness of controls.

During 2022 the level of internal audit work undertaken was minimal in expectation of new ownership. A new process of audits will begin in 2023 under the Altrad Internal audit process.

The company seeks to fully comply with international accounting and reporting standards to ensure fair and balanced reports about its performance and prospects.

Remuneration

The structure of the Company's remuneration policies and practices are designed to reflect the markets and industry that the Company operates within. Executive remuneration packages are designed to promote business stability and growth by rewarding and recognising the successful delivery and achievement of our annual business targets and long-term strategic direction. All remuneration requests are subject to strict adherence of our Corporate Governance Framework thus ensuring that no executive, director or senior manager is solely involved in the decision making / approval process regarding any remuneration outcomes. All remuneration requests are subject to ELT director level review, supplemented further with HR Director & / or CEO approvals for local requests. All Executive Leadership Team and CEO remuneration reviews also subject to parent organisation final sanction. Any remuneration consideration / decision is also based upon individual performance, budget availability and strategic or wider impact within the business.

Further details of the kind of policies and initiatives applied can be found in the Strategic report in the S172 statement.

Auditor

A resolution to re-appoint Ernst & Young LLP as auditor will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on behalf of the directors on 17 October 2023.

DocuSigned by:



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Jonathan Gilmore

Director

Registered Office: -

6-7 Lyncastle Way

Barleycastle Lane

Appleton

Warrington

WA4 4ST

Registered in England No. 00839354

Directors' responsibilities

For the year ended 31 December 2022

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards. 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTRAD BABCOCK LIMITED

For the year ended 31 December 2022

We have audited the financial statements of Altrad Babcock Limited for the year ended 31 December 2022 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We obtained the company's going concern assessment and discussed this with management to understand the inputs to the assessment and their key considerations. The company's assessment is based on forecast operating cash flows for the eight-month period ending 31 August 2023 and for the year ending 31 August 2024, and on management expectations for the additional period to 31 October 2024. The forecasts show an expected operating cash outflow in the period to 31 August 2023 driven by costs of integrating the business with the Altrad group, and a further expected operating cash outflow for the year to 31 August 2024. Management therefore concluded that the forecasts do not provide sufficient assurance that there will be sufficient liquidity headroom in the event of plausible downside scenarios during a period of at least 12 months from the date of approval of the financial statements, unless additional funds are available from the parent company Altrad Investment Authority S.A.S. ("AIA"). Accordingly, management obtained a letter from AIA undertaking to provide financial support to the company to assist it with meeting its liabilities as they fall due until 31 October 2024.
- We reviewed the forecasts supporting management's going concern assessment, and discussed the basis of their preparation with management. We compared the forecasts with other prospective financial information of the Company obtained during the audit, and ensured that they were consistent and in line with our understanding of the business. We concluded that management's assessment that the support of AIA is required, is reasonable.
- We obtained the signed letter of support from AIA to the company and ensured that it confirms AIA's intention and ability to provide financial support to the company until 31 October 2024.
- We obtained a memorandum from the Ernst & Young auditors of AIA ("the AIA audit team") setting out the basis on which they have concluded that the AIA group is a going concern and hence in a position to provide the financial support offered in the letter issued to the company, should this be required. We discussed the memorandum with the AIA audit team to understand the work performed by AIA management and the AIA audit team. This included assessing the AIA group budgets which form the basis of the AIA going concern assessment, and the results of both a severe but plausible stress test and a reverse stress test on the forecasts. The results of this testing indicates that there is an acceptably low risk of the AIA group either extinguishing its liquidity or breaching loan covenants within the company's going concern assessment period.
- We obtained recent financial information for the AIA group and reviewed this, noting no indications that the group's financial performance is below expectations set at the date of the group's last annual financial statements.
- We considered the knowledge we obtained during our audit and did not identify any other conditions that had not already been considered by management in their going concern assessment.
- We read board meeting minutes to determine whether there was any information contradictory to the directors' use of the going concern basis of accounting and did not note any such information.

We considered the appropriateness of the disclosures with respect to the use of the going concern assertion in the company's financial statements and discussed these with management.

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 to 31 October 2024.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTRAD BABCOCK LIMITED

For the year ended 31 December 2022

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTRAD BABCOCK LIMITED

For the year ended 31 December 2022

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

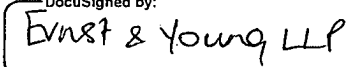
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards and the Companies Act 2006) and the relevant direct and indirect tax legislation in the United Kingdom. In addition, the company must comply with laws and regulations applying to its operations including those relating to health and safety, employees, data protection, anti-bribery and corruption.
- We understood how Altrad Babcock Limited is complying with those frameworks by making enquiries of management, including those responsible for legal and compliance procedures. We corroborated our enquiries through the review of documentation including: minutes of board meetings; the Altrad group's code of conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations and correspondence with the United Kingdom tax authorities;
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud. We gained an understanding of the entity level controls and policies that the Company applied being part of the Altrad group during the financial year.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. We enquired about any instances of non-compliance at the parent undertaking of Altrad Babcock Limited, and considered the impact of any such non-compliance upon our audit. We engaged internal legal specialists as required when designing and executing our audit procedures. Our procedures involved testing of journal entries, with a focus on manual journals and journals indicating large or unusual transactions. We incorporated the use of data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue. We tested specific transactions back to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions. We designed and performed audit procedures to ensure that revenue was recognised in line with contractual terms and in the correct accounting period. We made enquiries of legal counsel and management, including review of Board meeting minutes and reports of the volume and nature of complaints received by the whistleblowing hotline during the year relevant to the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

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Andrew Walton (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 October 2023

Income Statement

For the year ended 31 December 2022

		2022 £000	2021 £000 Restated
Revenue	4	334,901	287,972
Cost of sales		(312,646)	(260,784)
Gross profit		22,255	27,188
Administrative expenses		(22,715)	(20,074)
Adjusted Operating (Loss) / Profit *		(460)	7,114
Expected credit losses on receivables and Contract assets	14.2/26.3	(1,637)	(2,154)
Defined benefit pension scheme expenses	6.4	(1,343)	(2,590)
Loss on Settlement of Pension scheme	6.4	(10,545)	-
Impairment of intercompany loan receivable from subsidiary	14	(11,538)	(105,341)
Impairment of loan receivable from former parent company	14	(48,706)	-
Reversal of impairment of Investment property	27	-	1,429
Impairment of Goodwill	9	-	(326)
Profit on Surrender of Leases	25	137	-
Expenses relating to Industrial disease claims	17	(2,021)	(1,346)
Impairment of investments	11	-	(93,018)
(Loss) / profit on disposal of property, plant and equipment	10	(16)	1,776
Other (expense) / income		(11)	3
Operating Loss		(76,140)	(194,453)
Finance income	7	19,701	12,226
Finance costs	7	(5,914)	(11,708)
Loss before tax		(62,353)	(193,935)
Taxation	8.1	929	(3,608)
Loss for the year		(61,424)	(197,543)

The notes on pages 24 – 71 form part of the financial statements.

All revenue and losses arose from continuing operations.

* Adjusted operating (loss) / profit (defined in the Appendix to the financial statements at the end of this document) is considered a Key Performance Indicator by the Company, as it is viewed as providing an effective measure of the underlying performance of the business and is therefore disclosed separately to provide more relevant information to users of the financial statements.

Statement of Comprehensive Income

For the year end 31 December 2022

		2022 £000	2021 £000
	Note		Restated
Loss for the year		(61,424)	(197,543)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial movement in retirement obligations	6.4 / 8.3	25,694	21,868
Income tax relating to items not reclassified to the income statement	18 / 8.3	(5,281)	(1,935)
		20,413	19,933
Items that may be reclassified subsequently to profit or loss:			
Currency Translation differences		(65)	13
Total Other comprehensive income for the year net of tax		20,348	19,946
Total comprehensive loss for the year		(41,076)	(177,597)


Statement of financial position

As at 31 December 2022

	Note	2022 £000	2021 £000 Restated
Non-current assets			
Intangible Assets	9	1,718	1,937
Property, plant and equipment	10	1,906	1,917
Investment properties	27	-	4,371
Right of use assets	25.1	16,341	19,374
Investments in subsidiaries	11/12	-	44,636
Deferred tax assets	18	19,223	24,196
Derivative financial instruments	12.2	-	6
Trade and other receivables	14	5,518	329,087
		44,706	425,524
Current assets			
Inventories	13	385	311
Trade and other receivables	14	43,146	60,553
Contract assets	12/26	32,855	16,254
Derivative financial instruments	12.2	4	88
Cash and cash equivalents	12/22	30,383	638
		106,773	77,844
Total assets		151,479	503,368
Current liabilities			
Trade and other payables	15	(77,055)	(82,207)
Contract liabilities	26	(12,048)	(7,838)
Borrowings	12/16	(7,264)	(103,524)
Derivative financial instruments	12.2	(71)	(14)
Provisions	17	(60)	(720)
Lease liabilities	12/25.2	(3,765)	(5,530)
		(100,263)	(199,833)
Net current liabilities		6,510	(121,989)
Non-current liabilities			
Deferred tax liabilities	18	(174)	(1,442)
Provisions	17	(9,867)	(9,183)
Lease liabilities	12/ 25.2	(16,722)	(23,272)
Retirement benefit obligations	6.4	-	(30,781)
		(26,763)	(64,678)
Total liabilities		(127,026)	(264,511)
Net assets		24,453	238,857
Equity			
Called up share capital	19	69,957	261,957
Other Reserves	21	(8)	57
Retained earnings	20	(45,496)	(23,157)
Total equity		24,453	238,857

The notes on pages 24 – 71 form part of the financial statements. The financial statements of Altrad Babcock Limited, (registration number 00839354) were approved and authorised for issue by the Board of Directors on 17 October 2023.

Signed on behalf of the Board of Directors.


Jonathan Gilmore

Director

Statement of changes in equity

For the year ended 31 December 2022

	Called up share capital £000	Translation Reserve £000	Revaluation reserve £000	Retained earnings £000	Total £000
At 1 January 2021	261,957	-	1,476	153,021	416,454
Loss for the year – as previously stated	-	-	-	(174,010)	(174,010)
Prior year adjustment – see note 2.2	-	-	-	(23,533)	(23,533)
Loss for the year - restated	-	-	-	(197,543)	(197,543)
Other comprehensive income for the year	-	13	331	19,602	19,946
Total comprehensive income / (loss) for the year – as restated	-	13	331	(177,941)	(177,597)
Revaluation	-	-	(1,763)	1,763	-
At 1 January 2022 – as restated	261,957	13	44	(23,157)	238,857
Loss for the year	-	-	-	(61,424)	(61,424)
Other comprehensive (loss) / income for the year	-	(65)	-	20,413	20,348
Total comprehensive loss for the year	-	(65)	-	(41,011)	(41,076)
Shares Issued during the year (Note 19)	68,000	-	-	-	68,000
Capital Reduction (Note 19)	(260,000)	-	-	260,000	-
Non-cash dividend paid *	-	-	-	(241,328)	(241,328)
At 31 December 2022	69,957	(52)	44	(45,496)	24,453

* This dividend amounting to £290.0m was declared and paid on 22 September 2022, the amount has been reduced following the Directors' determination that it was unlawful – see the Strategic report for further details.

This amounted to £148.20 per share, reducing to £123.31

Statement of cash flows

For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Cash flow (used in) / generated from operations	22	(14,285)	9,457
Income tax paid		(502)	(1,021)
Net cash (used in) / generated from operations		(14,787)	8,436
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(569)	(868)
Purchase of intangible assets	9	(125)	(872)
Disposal of property, plant and equipment	10	(445)	6,546
Loans to Joint ventures	14.1	-	(3,700)
Loans granted to other group companies		(5,408)	(3,358)
Repayments from parent companies	14.1	3,167	6,500
Repayments of loan to subsidiary		5,927	-
Net cash (used in) / generated from investing activities		2,547	4,248
Cash flows from financing activities			
Interest paid		(2,502)	(2,591)
Payment of principal portion of finance leases	25.2	(4,200)	(2,377)
Loans granted by other companies of the parent group *	12.7/16	49,627	-
Additional repayment of overdraft facility	16	(1,189)	(8,903)
Net cash generated from / (used in) financing activities		41,736	(13,871)
Net increase/ (decrease) in cash and cash equivalents		29,496	(1,187)
Effects of exchange rate changes		249	(162)
Cash and cash equivalents at the beginning of the year		638	1,987
Cash and cash equivalents at the end of the year		30,383	638

* When this loan was granted the parent repaid the bank loans of £25,106k directly. This line shows the net cash received, but the total loan granted was £74,733k

Notes to the financial statements

For the year ended 31 December 2022

1. General information

Altrad Babcock Limited (ABL) is a Company incorporated in the United Kingdom under the Companies Act 2006 with a UK domicile. The address of the registered office is given on page 1. The principal place of business is Porterfield Road, Renfrew, PA4 8DJ, Scotland. These financial statements are presented in Pounds Sterling because that is the currency of the primary economic environment in which the Company operates. The ultimate controlling entity changed from Doosan Corporation Co., Ltd registered in the Republic of Korea to Altrad Investment Authority SAS a privately owned company registered in France, on 25th September 2022.

2. Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below.

2.1. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards. For the Company, there are no material differences from International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and hence these financial statements have been prepared in accordance with IFRS as issued by the IASB.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and land. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

The Directors are of the opinion that for 2022 the consolidated financial statements of Altrad Investment Authority SAS are equivalent to financial statements drawn up in accordance with relevant EU directives and therefore entitle the Company not to produce consolidated financial statements under s401 Companies Act 2006.

Any material errors identified in prior year numbers are corrected within the comparatives of these financial statements and where this has occurred are clearly noted as "Restated" at the top of the note. Full explanations for all such changes are provided in referenced notes at the bottom in all cases when this occurs. These financial statements therefore include information related to the Company and not its group.

2.2. Prior year adjustments

There has been one instance of a change to the prior year in the accounts. This has had an impact on the Income Statement, Statement of Financial Position, Statement of changes in Equity and notes 4.1,5.1,8.2,12,14 ,20 and 22. This related to the impairment of loans from subsidiary companies.

Any material errors identified in prior year numbers are corrected within the comparatives of these financial statements and where this has occurred the comparative information is noted as "Restated" at the top of the note.

The comparative information as at 31 December 2021 has been restated to correct errors totalling £23,533k in the calculation of expected credit loss provisions on certain loan amounts receivable from group undertakings. In addition, the comparative information has been restated to show separately the expected credit loss provisions against non-current amounts owed by subsidiary undertakings which had previously been netted against the gross amounts owed. Further, a reclassification has been made of an amount receivable from a joint venture undertaking of £2,010k from current to non-current. The effect of these adjustments is as follows:

	As previously stated 2021	Adjustment 2021	As restated 2021
	£000	£000	£000
Statement of financial position			
Trade and other receivables – current:			
Amounts owed by group undertakings	15,450	(7,580)	7,870
Amounts owed by joint ventures	5,724	(2,010)	3,714
Total Receivables	70,143	(9,590)	60,553
Trade and other receivables – non-current:			
Amounts owed by subsidiary undertakings	16,939	89,588	106,527
Amounts owed by joint ventures	-	2,010	2,010
Expected credit loss for amounts owed by group companies	(2,422)	(105,541)	(107,963)
Total Receivables	343,030	(13,943)	329,087

Notes to the financial statements (continued)

For the year ended 31 December 2022

Statement of changes in equity

	As previously stated 2021	Adjustment 2021	As restated 2021
	£000	£000	£000
Retained earnings	376	(23,533)	(23,157)
Income statement			
Impairment of intercompany loan receivable from subsidiary	(81,808)	(23,533)	(105,341)
Operating loss	(170,920)	(23,533)	(194,453)
Loss before tax	(170,402)	(23,533)	(193,935)
Loss for the year	(174,010)	(23,533)	(197,543)

	Retained earnings £000
At 1 January 2021	153,021
Loss for the year – as previously stated	(174,010)
Prior year adjustment	(23,533)
Loss for the year – as restated	(197,543)
Other comprehensive income for the year	19,602
Total comprehensive income for the year – as restated	(177,941)
Cumulative comprehensive income at 1 January 2022 - as restated	(24,920)
Revaluation	1,763
At 1 January 2022 – as restated	(23,157)

The 2021 comparative information in note 4.1 has been amended to correct an error in the classification of revenue by destination. Revenue from Korea has been reduced by £2,480k and revenue from other destinations increased by the same amount.

The 2021 comparative information in note 12.3 has been amended to reflect a reclassification of £1,050k from Trade and other payables to Prepayments, which was previously omitted from this note disclosure.

Company were unable to continue as a going concern.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Accounting policies (continued)

2.3. Going concern

Order intake (a prior key performance indicator for the Doosan Group, as defined in the Appendix) for the Company decreased by 14.6% to £279.3m (2021: £327.1m) due to the timing of long term framework agreements in 2021. The agreements have generated further work in 2022 and will generate additional turnover in years to come. There was a 16.3% increase in revenues to £334.9m (2021: £287.9m) again, mainly due to revenue from the above framework agreements.

The reported operating loss of £76.1m (2021: £194.5m) was significantly better than last year which contained the effects of a £93.0m impairment of the investment in former subsidiary Lentjes GmbH.

Net finance income increased to £13.8m (2021: £0.5m) due to exchange gains this year £8.8m (2021: £5.0m loss).

These factors resulted in a loss before tax of £62.3m (2021: £193.9m loss).

The Company has carefully analysed its cash requirements up to 31st October 2024 using financial forecasts. This was undertaken with consideration to the effects of emerging geopolitical strains, inflation challenges and the potential effects of climate change. The Directors have concluded that the forecasts do not provide sufficient assurance that there will be liquidity headroom over this period in the event of plausible downside scenarios.

Accordingly, the Directors have requested and received from the parent undertaking, Altrad Investments Authority SAS ("AIA"), written confirmation of AIA's intention and ability to provide to such financial support as is necessary in order to allow the Company to meet its liabilities as they fall due, for the period to 31 October 2024.

Based on their enquiries, the Directors have concluded that AIA has the intention and ability to provide the support described above, and accordingly they have continued to adopt the going concern basis of accounting in preparing the annual financial statements. These financial statements do not contain any adjustments to the carrying value or classification of assets and liabilities that would result if the Company were unable to continue as a going concern.

2.4. Investments in subsidiaries, joint ventures and associates

Investments are stated at cost less any provisions for impairment. Investments are reviewed at each balance sheet date to determine whether there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

On disposal of investments, the difference between disposal proceeds and the carrying amount of investment are recognised in the income statement.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Accounting policies (continued)

2.5. Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of the impairment review, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of a business.

2.6. Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Company's product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as technology which can be used in a product);
- the completion of such intangible asset is technically feasible, and the asset will be available for use or sale;
- the entity has the intention and ability to complete the intangible asset and use or sell it;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Software is treated as an intangible asset.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses.

The expected useful lives, all of which are straight line, are:

Development costs	5 years
Software	3 to 7 years

Amortisation of intangible assets is charged to cost of sales and administration expenses in the income statement. Intangible assets that do not meet the above criteria are impaired in the year that this conclusion is arrived at.

2.7. Property, plant and equipment

Freehold properties, plant, machinery and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees, and, for qualifying assets, any borrowing costs associated with financing the assets, if applicable. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. The entire asset register is regularly reviewed and assets which are found to no longer be in use, of reduced life or to be of less value to the business than the net book value will be impaired as appropriate.

The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The Company chooses to perform a regular independent review every 2 years of the value of land assets in order to assess whether a revaluation is required. This ensures that the carrying amount of these assets does not differ materially from their fair value.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Accounting policies (continued)

2.7 Property, plant and equipment (continued)

Depreciation is charged on cost on a straight-line basis at rates appropriate to the expected useful lives of the assets concerned. Freehold land and assets in the course of construction are not depreciated.

The expected useful lives, all of which are straight line, are:

Land and buildings	
Freehold land	Not depreciated
Freehold and leasehold buildings	8 to 50 years
Plant and equipment	
Plant and machinery	3 to 15 years
Motor vehicles	4 to 8 years
Office equipment and furniture	3 to 10 years
Computers	3 to 5 years

2.8. Investment property

The Company recognises investment properties separately from Buildings and Right of Use Assets. This reflects the fact that a significant portion of one of its owner-occupied properties is leased out to a third party. The value of the investment property reflects this portion. The Cost Model under IAS 40 has been adopted for this property. The property has been shown at initial cost less depreciation and impairment recognised to date since the property was purchased and will continue to be depreciated now that it has been classified as an investment property. The only investment property held is a right of use asset on a lease and this is being depreciated over the life of the lease on the straight-line method.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

2.9. Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received.

Capital-based government grants are credited to the assets to which they relate, with the net amount then being released to the income statement as depreciation.

Grants and funding of a revenue nature are netted against the expenses to which they relate. Recognition of the funding income is realised at the same rate as expenditure with any advance receipts of such funding being kept as deferred income. If the development to which this relates meets the criteria for capitalisation then the net cost is capitalised.

2.10. Inventory

Inventories are stated at the lower of cost and net realisable value. An inventory provision is booked to state inventory at net realisable value where the realisable value from sale of the inventory is estimated to be lower than the inventory carrying value.

Costs comprise direct materials, and in the case of work-in-progress, direct labour and overheads, including depreciation, but excludes selling and administration costs.

Raw materials and consumables are stated using the weighted average cost method.

2.11. Provisions

A provision is recognised in the statement of financial position if, as a result of a past event, there is a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products, at the Directors' best estimate of the expenditure required to settle the Company's obligation.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from it. However, before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Accounting policies (continued)

2.12. Revenue recognition

2.12.a. Principles

IFRS 15 establishes a five-step model to account for revenue arising from contracts with clients. Revenue from contracts with clients is recognised when control of the goods or services are transferred to the client at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the client.

The Company provides warranties to clients with assurance that the related product will function as the parties intended because it complies with agreed-upon specifications. The Company does not provide warranties as a service, in addition to the assurance that the product complies with agreed-upon specifications, in its contracts with clients. As such, the Company expects that such warranties will be assurance-type warranties which will continue to be accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

2.12.b. Construction contracts

- Certain construction contracts contain multiple goods and services, but these are not distinct in the context of the contract. It is therefore appropriate to combine the services into a single performance obligation. Related service contracts comprise maintenance, repair and overhaul services which are typically regarded as a single performance obligation. Revenue on contracts is determined using either a percentage of completion approach, or as contract cost plus a contractually agreed margin, in order to best represent the transfer of services to the customer depending on the features of the arrangement.
- Services are satisfied over time given that the client simultaneously receives and consumes the benefits provided by the Company. Consequently, the Company recognises revenue from its construction contracts over time rather than at a point of time.
- Contract modifications, e.g. variations, are accounted for as part of the existing contract or a new contract depending on the details of the contract. For material contract modifications, based on management's assessment, there may be cases where a separate contract may be recognised.
- Variable consideration, e.g. variation orders, claims and liquidated damages, are assessed at contract inception and re-assessed at each reporting period using the most likely amount method.
- Contract costs are recognised in the Company income statement as an input to percentage-of-completion. This is done because the benefits of the work performed are transferred to the customer at the same rate that the costs are incurred, with all work being performed on the customer site. As such cost incurred is the best measure of percentage of work completed and hence revenue recognised.
- There are certain large projects, mainly government funded, for which revenue is received on a fixed cost plus basis. Aside from this, projects are mainly billed based on an hourly rate based on the work performed. There are a small number of contracts which are fixed price. There is usually scope to increase the price when it is found additional work is required. In all cases revenue is recognised over time, as noted in the above paragraph.
- Judgements are made in determining the cost to fulfil a contract with a customer. These would include hourly rates to apply to labour, hours required to complete the contract and expected costs of materials based on market rates.
- The advance payments for construction contracts are structured primarily for reasons other than the provision of finance to the Company, and they do not provide clients with an alternative to pay in arrears. In addition, the length of time between when the client pays and the Company transfers goods and services to the client is relatively short. Therefore, the Company has concluded that there is not a significant financing component within such contracts. Currently, the Company does not have any contracts where payments by client are over a number of years after the Company has transferred goods and services to the client; if such cases arise in future the transaction price for such contracts will be determined by discounting the amount of promised consideration using an appropriate discount rate.
- Pre-contract/bid costs are recognised as an expense until there is a high probability that the contract will be awarded. The Company capitalises pre-contract/bid costs, where such costs are incremental to the contract and are expected to be recovered, as an asset and will expense it over the life of the contract.
- Contract assets and contract liabilities for individual clients are presented on a net basis.

2.12.c. Sales (other than project sales) of goods and services at invoiced value

The revenue is recognised at the point at which the Company has transferred control to the buyer.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Accounting policies (continued)

2.13. Taxation

The tax charge comprises current tax and deferred tax, calculated using tax rates that have been enacted or substantively enacted by the reporting date. Current tax and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the relevant tax is also reflected in equity. Current tax is based on the result for the year.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for, the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The Company considers uncertain tax treatments separately or together depending on which approach better predicts the resolution of the uncertainty.

The Company applies its judgement in identifying uncertainties over income tax treatments.

The Company's tax filings in different jurisdictions may include amounts which reflect complex transactions and the taxation authorities may challenge the tax treatments adopted. The Company determined, based on tax legislation and advice from external advisers, that it is likely its adopted tax treatments should be accepted by the taxation authorities.

2.14. Pension costs

Defined benefit scheme

During 2021, and up to 22nd September 2022 the Company operated a pension scheme providing benefits based on final pensionable pay. On 22nd September 2022, the responsibility for this scheme was transferred out from the Company to a company in the former parent group, Doosan Pension UK Limited, as part of the sale of the Company to Altrad UK Limited. As such, the Company no longer has a liability for the deficit and does not include any assets or liabilities relating to the scheme in its balance sheet at the year-end.

Prior to transfer, the assets of the UK scheme are held separately from those of the Company. Contributions were based on periodic actuarial calculations and are charged so as to spread the cost of the pensions over the expected service lives of the employees who are members of the scheme. The 'Doosan Power Systems Limited' scheme was closed to new members on 31 March 2001. In April 2014 this UK defined benefit scheme was closed for future accruals.

Pension scheme assets are measured using fair value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability.

Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside of the income statement and presented in comprehensive income.

Past service cost is recognised when any plan amendment or curtailment occurs to the extent that the benefits are already vested or is otherwise amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

The cost of the Company's defined benefit plans is determined in accordance with IAS 19 (revised): "Employee benefits" with the advice of independent professionally qualified actuaries on the basis of formal actuarial valuations using the projected unit credit method. In line with normal practice, these valuations are undertaken triennially in the UK.

Defined contribution scheme

The Company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amounts charged against profit represent the contributions payable to the scheme in respect of the accounting period.

2.15. Operating profit

Adjusted Operating profit or loss is stated after charging restructuring costs but before the share of results of associates, Expected Credit losses, impairments and gains and losses on the disposal of investments, property, plant and equipment, IAS19 costs and finance costs. Adjusted operating profit is a key KPI used by the business to measure performance.

Operating profit is stated before net finance income or costs.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Accounting policies (continued)

2.16. Assets Held for Sale

The Company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

2.17. Financial instruments

2.17.a. Impairment

IFRS 9 requires the Company to record expected credit losses on of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company has applied the simplified approach and record lifetime expected losses on all loans and receivables, trade receivables, retention receivables, amounts due from clients and bank balances.

2.17.b. Derivatives

The Company uses derivative financial instruments to tackle interest rate risk and hedge exposures to fluctuations in foreign currencies in accordance with its risk management policies. Commodity risk is managed through escalation clauses in client contracts. A description of the Company's objectives, policies and strategies with regard to derivatives and other financial instruments is set out in note 12.

Derivatives are initially recognised in the statement of financial position at fair value on the date the derivative transaction is entered into and are subsequently re measured at fair value. Changes in the fair value of derivatives are recognised in the income statement.

Hedge accounting

The Company does not apply hedge accounting.

2.17.c. Financial assets

All financial assets are recognised and derecognised on a specific date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories, financial assets, cash and cash equivalents or 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Liquid resources and cash

Liquid resources comprise short-term treasury deposits which have maturity dates of up to one year, government securities and money market funds. Cash and cash equivalents comprises cash in hand and overnight deposits.

Loans and receivables

Trade receivables, loans and other receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less any 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 effective interest rate. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. Loans will be tested for impairment at each period end to determine if any impairment exists.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Accounting policies (continued)

2.17. Financial instruments (continued)

2.17.d. Financial liabilities

Financial liabilities within the scope of IFRS9 are classified as loans and borrowings, financial liabilities at fair value through profit or loss, payables, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of borrowings, net of transaction costs, carried at amortised cost. The Company's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

Loans and borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables

Trade payables are not interest bearing and are stated at their fair value. Amounts due to clients for contract work relate to advances received from clients on contracts which are in progress.

2.17.e. Foreign currencies

The financial statements of the Company are presented in Pounds Sterling which is Company's functional currency. The Company operates a branch in France. The operation determined its functional currency is Euro in accordance with IAS21.9

In preparing the financial statements, transactions in currencies other than functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see note 12.5).

For the purpose of presenting financial statements, the assets and liabilities of the Company's foreign operations are translated at the exchange rate prevailing on the reporting date. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rate at the date of the transaction is used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation are reclassified to the income statement.

2.18. Fair value estimation

The fair value at initial cost of financial instruments traded in active markets (such as publicly traded derivatives or trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for traded financial assets held by the Company is the current bid price. The appropriate quoted market price for traded financial liabilities is the current offer price.

The fair value of forward foreign exchange contracts is determined by measuring the difference between the exchange rate at the reporting date and the forward exchange rate per the contract. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. Investments are held at cost less any provision for impairment.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods which include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models which reflect the specific instrument.

Where market values are not available, fair values are based on valuation methodologies which require inputs and forecasts to be made. Judgement is required in determining the appropriate assumptions underlying those inputs and forecasts.

The nominal value of receivables (less estimated impairments) and payables are assumed to approximate their fair values. The fair value of financial liabilities measured at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments. Discounted cash flows are used to determine the fair value for the majority of remaining financial instruments.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Accounting policies (continued)

2.19. IFRS 16 Leases

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.19.a. 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 remeasurement 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:

- Plant and machinery 2 to 5 years
- Land and Buildings 2 – 15 years
- Motor vehicles and other equipment 3 to 5 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment in the same manner as Property Plant and Equipment (note 2.7).

2.19.b. 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 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 (IBR) at the lease commencement date wherever the interest rate implicit in the lease is not readily determinable. 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 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 subsidiary's stand-alone credit rating). For Car leases the implicit rate as supplied by the lease company is used, the majority of car leases are of this nature. 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. The Company's lease liabilities are included in Interest-bearing loans and borrowings.

2.19.c. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of cars, machinery and equipment (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 lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.19.d. Company as lessor

In 2021 the Company acted as lessor on part of its Crawley office, this lease was treated as an operating lease as it ended in March 2021 and from that date no further subletting occurred.

2.19.e. Sales and Lease back

Leases which arose from a sale of assets apply paragraph 100 of IFRS16. As such the value of the Right of Use Asset is set to be the net book value of the asset at the point of sale multiplied by the lease liability divided by the market value of the asset at the point of sale. Any difference arising from this between the initial lease liability and the right of use asset is deducted from the profit on sale of the asset.

Notes to the financial statements (continued)

For the year ended 31 December 2022

2. Accounting policies (continued)

2.20. Standards issued but not yet effective

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of ‘accounting estimates’. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Company’s financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

Notes to the financial statements (continued)

For the year ended 31 December 2022

3. Critical accounting judgements and key sources of estimation of uncertainty

3.1. Key Sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

3.1.a. Long term contracts

The major uncertainty relating to ongoing contracts is the difficulty in assessing the final financial outcome and stage of completion of contracts recognised on a long-term contract accounting basis. The risk associated with this has reduced considerably in recent years as the Company no longer engages in large risky projects.

The Company seeks to mitigate this uncertainty by regularly assessing the forecasted position on a contract by contract basis to confirm that they still reflect a best estimate of expected costs to complete. The effect of any such risk will be reflected in the contract balances disclosed in note 26.

3.1.b. Retirement benefit obligations

Details of the Company's defined benefit schemes are set out in note 6.4, including a table showing the sensitivity of the pension scheme obligations and the prospective charge to the income statement to different actuarial assumptions. At 31 December 2022 the defined benefit liability recognised on the Company's statement of financial position was £Nil (2021: £30,781k). This is due to the fact that the scheme has been transferred out to a subsidiary of former parent DPSSA – Doosan Power Systems Pension UK Limited and hence the responsibility transferred with it.

The Company recognised net actuarial gain of £25,694k (2021: £21,868k) in equity. A sensitivity analysis in respect of these is set out in note 6.4.

3.1.c. Long term provisions

Provisions include an amount of £9,867k (2021: £9,183k) relating to potential claims relating to industrial diseases for which the Company may be liable together with related legal costs. Due to the nature of these claims, it is not possible to predict precisely when these provisions will be utilised, but it is anticipated that, in the majority of cases, it would be in the medium term. Further, Management are required to make an estimate as to the total volume of the claims.

3.1.d. Estimation of recoverable value

An estimate has been made of the recoverable value of certain assets during the year these being:

Loan Receivable from Altrad Babcock Power Systems Overseas Investments Limited, which was valued at £Nil, having been impaired from its gross receivable of £70.1m in 2022 and £68.0m in 2021 with interest accrued in 2022 of £2.1m added on.

Loans Receivable from subsidiary Doosan Babcock General Maintenance Services LLC, which was valued at £Nil, having been impaired from its gross receivable of £47.2m (2021: £38.5m).

Loan Receivable from former parent company Doosan Power Systems SA which was valued at £Nil, having been impaired from its gross amount receivable of £48.7m. This loan remained outstanding after part of the dividend declared to settle it was deemed unlawful. The directors have determined the loan to be fully impaired.

The loans are repayable on demand. The estimated recoverable value reflects the expected inability of ABPSOIL and DBGMS to repay the loans immediately or within any reasonable time period allowed by the company.

Notes to the financial statements (continued)

For the year ended 31 December 2022

3. Critical accounting judgements and key sources of estimation of uncertainty (Continued)

Significant judgements in applying the Company's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

3.2. Revenue and margin recognition

The Company's revenue recognition and margin recognition policies, which are set out in note 2.12 are central to how the Company values the work it has carried out in the financial year. These policies require forecasts to be made of the outcomes of long-term construction services which require assessments and judgements to be made on recovery of pre-contract costs, changes in work scopes, contract programmes, changes in future costs of materials, maintenance liabilities, potential liquidated damages and changes in costs including costs to complete.

The Company defines Terminal Revenue as the total revenue expected on any given project, this is set at the start of the project, but can change if variations are required to the project. Likewise Terminal cost is the total cost expected on the project. Terminal revenue and cost drive the recognition and revenue and cost on projects. The terminal revenue will be based on the initial contract price, but if scope is reduced or increased judgements will have to be made as to how much to change the terminal revenue. terminal cost is calculated based on proposals drawn up for the cost to complete a project but will have to be adjusted to reflect changes in scope and costs. Such changes will be recognised as contract modifications in accordance with IFRS15. Judgements will have to be made as it is not always certain what the future costs will be on the project as circumstances can still change.

The Company recognises progress and hence turnover on projects through cost of sales incurred. Judgements must therefore be made as to whether these costs contribute to the progress in satisfying the obligations.

3.3. Taxation

The Company provides for liabilities in respect of uncertain tax positions where additional tax may become payable in future periods and such provisions are based on management's assessment of exposures. The Company also recognises assets where a reduction in future tax or a future receipt of tax may crystallise, when it is deemed prudent to recognise such an asset based on management's assessment of such events.

Where, as has been the case in recent years, the Company has not made sufficient profits to pay tax or has accrued tax losses then a deferred tax asset will be created. The calculation of this is based on the tax losses held, applying the expected future tax rate at which the losses will unwind along with other adjustments for relevant timing differences. A judgement has been made over the recoverability of this asset given the expect future profits of the Company. If any such profits are deemed uncertain these would be excluded from the calculation and any impairment resulting from this would be reflected.

4. Revenue and Non-Current Assets

4.1. Revenue by Destination

	2022 £000	2021 £000 Restated
United Kingdom	322,101	280,055
Korea	2,480	102
France	3,398	3,001
Other	6,922	4,814
	334,901	287,972

4.2. Revenue by Origin

	2022 £000	2021 £000
United Kingdom	331,503	284,971
France	3,398	3,001
Total	334,901	287,972

All revenue in the Company originates from construction contracts and related services

Revenue for construction contracts and related services, such as maintenance, repair and overhaul, is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company. The fact that another entity would not need to re-perform the installation that the Company has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Company's performance as it performs. There has not been any revenue recognised from performance obligations satisfied in previous periods.

*The 2021 comparative information above has been amended to correct an error in the classification of revenue by destination. Revenue from Korea has been reduced by £2,480k and revenue from other destinations increased by the same amount

Notes to the financial statements (continued)

For the year ended 31 December 2022

5. Operating Profit

5.1. Operating Profit is stated after charging / (crediting)

	2022 £000	2021 £000 Restated
<i>Property, plant and equipment:</i>		
Depreciation of owned assets	495	548
<i>Right of use assets:</i>		
Depreciation of leasehold assets	2,966	2,892
<i>Investment Properties:</i>		
Depreciation of leasehold assets	973	1,279
Reversal of Impairment of leasehold assets	-	(1,429)
<i>Intangible assets:</i>		
Amortisation of software	352	182
Impairment of goodwill	-	326
<i>Trade and other receivables :</i>		
Impairment of intercompany loan receivable from subsidiary	11,538	105,341
<i>Investments in subsidiaries :</i>		
Impairment of investments	-	93,018
<i>Research and development:</i>		
Revenue expenditure	-	1,328
Funding received to fund revenue expenditure	-	(1,328)
Restructuring costs	-	-

5.2. Auditor's remuneration

	2022 £000	2021 £000
Audit of these financial statements	610	840
Audit of company's subsidiaries, pursuant to legislation *	8	8

* This reflects the audit fees of subsidiaries Altrad Babcock Energy Services (Overseas) Limited £3k (2021: £3k) and Altrad Babcock Power Systems Overseas Investments Limited £5k (2021: £5k) which were born by the Company.

Notes to the financial statements (continued)

For the year ended 31 December 2022

6. Employees and directors

6.1. Employee numbers and staff costs

	2022	2021
Average monthly number of persons employed during the year (including directors employed):		
Production	2,068	2,173
Sales and administration	140	182
Research and development	-	-
	2,208	2,355

	2022 £000	2021 £000
Staff costs during the year (Including directors employed):		
Wages and salaries	130,833	118,316
Social security costs	13,910	12,177
Other pension costs	12,995	22,754
	157,737	153,247

6.2. Pension disclosure

	2022 £000	2021 £000
UK GPP	3,255	3,092
UK Stakeholder	809	1,011

These amounts are for contributions paid by the Company into employee defined contribution pension schemes. For these schemes the Company will pay a fixed percentage of the salary of employees who are members of the scheme, based on their own contributions, up to a maximum of 6%.

6.3. Remuneration of directors

	2022 £000	2021 £000
Directors' emoluments:		
Current pay and benefits	466	713
Post-employment benefits	11	31
Social security costs	170	47
	647	791

The aggregate emoluments of the highest paid Director were £260,848 (2021: £292,373). This included Pension contributions made by the Company of £6,141 (2021: Nil) and £3,557 of benefits in kind. There was no other remuneration for the highest paid director. (2021: Nil)/ None of the directors had any share options. Two of the directors received retirement benefits, these are included in the post-employment benefits noted above.

Certain directors of the company during the year were also either: directors or officers of the former parent company, Doosan Power Systems S.A., and/or former fellow subsidiaries; or directors of the current parent company Altrad UK Limited and current fellow subsidiaries. The remuneration of these directors was paid by the parent companies or fellow subsidiaries. The directors do not believe that it is practicable to apportion the amounts paid to these directors between their services as directors of the company and their services as directors of the parent and fellow subsidiary companies.

Since the Directors of the Company are also the key management personnel of the Company, no additional information is required to be disclosed by IAS 24 in addition to the information already disclosed above.

Notes to the financial statements (continued)

For the year ended 31 December 2022

6. Employees and directors (continued)

6.4. Post-retirement benefits

The Company operates two defined contribution schemes, a Group Personal Pension Plan and a Stakeholder Plan. The charge for the year in respect of these schemes was £4,064k (2021: £4,015k) and the accrued unpaid pension contribution was £271k (2021: £293k).

The Company was responsible for a defined benefit pension scheme (the 'scheme'), providing benefits based on final pensionable pay. The Scheme was closed to future benefit accrual with effect from 1 April 2014, with active members becoming deferred with a preserved pension in the Scheme based on their Pensionable Service and Final Pensionable Salary as at this date.

On 22nd September 2022 the scheme was transferred out of the Company up to former parent company Doosan Power systems SA in return for reduction in the loan receivable from DPSSA of £8,464k as consideration. This represented the net deficit of the scheme as calculated at 31st August 2022 of £9,480k less the final payment made by the Company in to the scheme of £1,017k, this having been made on 16th September 2022. As a result of the transfer of the scheme, the Company has no further liability for its funding and accordingly has de-recognised the net deficit.

The company has subsequently updated its estimate of the net surplus of the scheme as of 22 September 2022, being £2.1m based on plan asset values totalling £315.9m and plan liabilities of £313.8m. The difference between the net deficit amount at 22 September 2022 and the amount agreed as consideration for the loan receivable with DPSSA is £10.5m. This difference has been reflected in the income statement as a loss on the transfer of the scheme. The 2022 data given in the remainder of this note is as of the transfer date of 22 September 2022.

The assets of the scheme are invested by an independent trustee.

The scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the scheme is subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004.

In accordance with UK trust and pensions law, the scheme has appointed trustees who are independent of the Company. Although the Company bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustees, who have a duty to act in the best interest of members at all time.

The main risks to which the Company was exposed in relation to the funded pension scheme are:

- Mortality risk - the assumptions adopted by the Company make allowance for the future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in higher payments from the scheme and consequently increases the scheme's liabilities. The Company and the scheme's trustees review the mortality assumption on a regular basis to minimise the risk of using an inappropriate mortality assumption.
- Investment risk - the scheme invests its assets in a portfolio of asset classes including diversified growth funds, corporate bonds and government bonds. There is the possibility that the returns generated by the portfolio of assets falls below the assumed rates of return.
- Yield risk - a fall in bond yields will increase both the scheme's liabilities, and to a lesser extent, the scheme's assets. As the scheme's liabilities (on the funding basis used to calculate the Company's contributions to the scheme) are greater than its assets until the deficit is made good, during that time the liabilities may grow by more in monetary terms, thus increasing the deficit in the scheme. This is in part mitigated by interest rate hedging.
- Inflation risk - Benefits in the scheme accrued increase in line with inflation (subject to the relevant caps and floors), and so if inflation is greater than expected, the liabilities will increase.

The results of the actuarial valuation of the scheme at 1 April 2019 have been updated to the transfer date of 22nd September by a qualified actuary, using a set of assumptions consistent with those required under IAS 19 (revised). The effect of the scheme's investment policy is not fully reflected in the accounting figures as the assumptions used for the purpose of the valuation under IAS 19 (revised) are different from those used for the funding valuation.

Notes to the financial statements (continued)

For the year ended 31 December 2022

6. Employees and directors (continued)

6.4. Post-retirement benefits (continued)

The major assumptions used by the actuary were:

	2022 £000	2021 £000
Financial assumptions:	22 nd Sept 2022	
Discount rate	5.10%	1.90%
Rate of increase in pensionable salaries	N/A	N/A
RPI Min 3%, Max 5%	3.65%	3.65%
RPI Max 5%	3.35%	3.35%
RPI +2%, Max 5%	4.65%	4.65%
Price Inflation assumption (and increases to pension in deferment)	3.70%	3.40%
Demographic assumptions:		
Pre-retirement mortality (male/female)	105%/115% S3PMA/S3PFA, CMI 2020 +1.0% MI	105%/115% S3PMA/S3PFA, CMI 2020 +1.0% MI
Post-retirement mortality for non-pensioner members (male/female)	105%/115% S3PMA/S3PFA, CMI 2020 +1.0% MI	105%/115% S3PMA/S3PFA, CMI 2020 +1.0% MI
Post-retirement mortality for pensioner members (male/female)	105%/115% S3PMA/S3PFA, CMI 2020 +1.0% MI	105%/115% S3PMA/S3PFA, CMI 2020 +1.0% MI

The rates used have been chosen from a range of possible amounts determined using actuarial assumptions that due to the timescale covered may not necessarily be borne out in practice.

The assets in the scheme at the time of transfer were:

	2022	2021
	22 nd September 2022 £000	% £000
<i>Diversified growth fund</i>		
SGIF Global Select Equity Fund	3.5%	11,092
SGMF Dynamic Fund	8.4%	26,664
<i>Bonds</i>		
SEI UK Property Fund	5.4%	17,216
SGMF Liquid Hedged Fund	1.1%	3,460
Return Fixed Income	43.3%	136,937
Risk Management Fixed Income	31.5%	99,496
Global Real Assets Fund	4.0%	12,500
Structured Credit Fund GBP Inst	1.8%	5,631
<i>Cash</i>		
SEI Cash	0.6%	1,147
Trustee bank account	0.4%	1,767
Total market value of assets	315,911	463,288
Present value of liabilities	(313,825)	(494,069)
Asset/ (Deficit) in scheme	2,086	(30,781)
Related deferred tax asset *	-	6,820
Net pension asset/ (liability)	2,086	(23,961)

* The deferred tax asset associated with the deficit that had existed was written off prior to the transfer and so is shown as zero here.

All of the funds and bonds are quoted with a price in an active market. Sensitivity analysis

The Company no longer has a Pension liability and so the effect of any changes in assumptions would zero.

Notes to the financial statements (continued)

For the year ended 31 December 2022

6. Employees and directors (continued)

6.4. Post-retirement benefits (continued)

	2022 £000	2021 £000
Reconciliation of present value of plan liabilities and assets:		
Change in the present value of the defined benefit obligation:		
Opening defined benefit obligation	494,069	530,779
Interest cost	6,180	6,510
Changes in demographic assumptions	-	(785)
Actuarial gains arising from changes in Financial Assumptions	(174,017)	(22,511)
Benefits paid	(12,407)	(19,924)
Transfer of scheme out of the Company	(313,825)	-
Closing defined benefit obligation	-	494,069
Change in the fair value of plan assets:		
Opening fair value of plan assets	463,288	462,858
Interest income	5,831	5,721
Actuarial losses arising from changes to financial assumptions	(148,323)	(1,428)
Contributions by employer	8,865	18,651
Benefits paid	(12,407)	(19,924)
Other expenses	(1,343)	(2,590)
Transfer of scheme out of the Company	(315,911)	-
Closing fair value of plan assets	-	463,288
Net change in the present value of plan liabilities and assets:		
Opening deficit	30,781	67,921
Net interest expense	349	789
Net actuarial (gains) / losses arising from changes in financial assumptions	(25,694)	(21,868)
Contributions by employer	(8,865)	(18,651)
Administrative expenses	1,343	2,590
Transfer of scheme out of the Company	2,086	-
Closing deficit	-	30,781
The expected pension contribution for the defined benefit scheme in 2023 is £Nil.		
Analysis of other comprehensive income:		
	2022 £000	2021 £000
Actual return (less) / greater than expected return on scheme assets	(148,323)	(1,428)
Changes in assumptions underlying the scheme liabilities	174,017	23,796
Net actuarial gains / (losses) recognised in the period	25,694	21,868
Deferred tax (charge) / credit	(5,281)	(2,266)
Actuarial gain / (loss) net of tax	20,413	19,602
Net cumulative actuarial losses after tax	(65,089)	(85,502)
Expense recognised in the income statement:		
	2022 £000	2021 £000
Net interest expense	349	789
Defined benefit pension scheme expenses	1,343	2,590
Total	1,692	3,379

Notes to the financial statements (continued)

For the year ended 31 December 2022

7. Finance income and costs

	2022 £000	2021 £000
Interest receivable on loans to parent and subsidiary undertakings	10,835	11,982
Foreign exchange gains	8,866	244
Total finance income	19,701	12,226
Interest payable	(1,575)	(1,395)
Interest expense on loan from parent company	(1,499)	(2,101)
Interest expense on loan from subsidiary undertakings	(583)	(1,018)
Unwinding of discounting	(217)	(240)
Interest charged under leases	(1,030)	(1,128)
Foreign exchange losses	(661)	(5,037)
Net finance cost on defined benefit scheme	(349)	(789)
Total finance cost	(5,914)	(11,708)
Net Finance income	13,787	518

8. Taxation

8.1. Taxation Charge

	2022 £000	2021 £000
Current tax:		
Current tax charge on profits for the year	502	553
Adjustments in respect of prior periods	-	468
Total current tax charge	502	1,021
Deferred tax:		
Origination and reversal of temporary differences	(3,156)	8,616
Change in Tax rate	-	(4,328)
Adjustment in respect of prior year	(270)	(85)
Withholding Tax	(1,268)	207
Deferred tax on pension charge	3,263	(1,823)
Total deferred tax (credit) / charge (Note 18)	(1,431)	2,587
Total tax (credit) / charge	(929)	3,608

Notes to the financial statements (continued)

For the year ended 31 December 2022

8. Taxation (continued)

8.2. Factors affecting tax charge for the year

The current tax assessed for the period is lower (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000 Restated *
Loss before tax	(62,353)	(193,935)
Tax loss before taxation at standard UK corporation tax rate of 19% (2021: 19%)	(11,847)	(36,848)
Tax effect of expenses that are not deductible in determining taxable profit	6	(560)
Tax losses (now recognised) / not recognised	(1,978)	11,779
Rental expenses previously disallowed	-	(5,600)
Overseas Tax	63	-
Effect of increase in tax rate	-	(4,328)
Impairment of investment not taxable	-	17,673
Impairment of Intercompany loans not taxable	11,446	20,052
Loss on Settlement of Defined Benefit Pension Scheme	2,004	-
Withholding taxes	(829)	760
Difference between rate applied and rate of deferred tax	210	297
Adjustment in respect of prior periods	(270)	383
Group Relief	266	-
Tax credit for year	(929)	3,608

There are tax losses of £9.0m (2021: £11.8m) which have not been recognised as a deferred tax asset due to uncertainty over recoverability. (See Note 18.)

* Restatement reflects tax effect of impairment of intercompany loans receivable in prior year

Factors that may affect future tax charges

The income tax expense for the year is based on the effective United Kingdom statutory rate of corporation tax of 19% (2021: 19%).

The UK Budget 2021 announcements included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence have been reflected in the measurement of deferred tax balances at the period end. The calculation of the deferred tax asset has applied either 19% or 25% depending on when the tax losses are expected to unwind.

8.3. Tax recognised in other comprehensive income

	Before tax £000	Tax charge £000	After tax £000
2022			
Relating to actuarial movement in retirement benefit obligations	25,694	(5,281)	20,413
Translation of Foreign Operations	(65)	-	(65)
Total Other Comprehensive income	25,629	(5,281)	20,348
2021			
Relating to actuarial movement in retirement benefit obligations	21,868	(2,266)	19,602
Relating to revaluation of land *	-	331	331
Translation of Foreign operations	13	-	13
Total Other Comprehensive income	21,881	(1,935)	19,946

* In January 2021 the Tipton Site was sold and leased back. In doing so the Revaluation Reserve thereon was transferred directly to reserves. However, the deferred tax on the revaluation was judged to be not payable before the disposal and so had to be reversed without being transferred to retained earnings.

Notes to the financial statements (continued)

For the year ended 31 December 2022

9. Intangible assets

	Goodwill £000	Development expenditure £000	Software £000	Total
Cost				
At 1 January 2021	971	1,839	29,323	32,133
Foreign translation difference	-	-	(8)	(8)
Additions	-	-	872	872
At 1 January 2022	971	1,839	30,187	32,997
Foreign translation difference	-	-	8	8
Additions	-	-	125	125
Reclassification	-	-	221	221
Write off	(971)	-	-	(971)
At 31 December 2022	-	1,839	30,541	32,380
Amortisation				
At 1 January 2021	376	1,839	28,337	30,552
Amortisation during the year	-	-	182	182
Impairment during the year	326	-	-	326
Reclassification	269	-	(269)	-
At 1 January 2022	971	1,839	28,250	31,060
Amortisation during the year	-	-	352	352
Reclassification	-	-	221	221
Write off	(971)	-	-	(971)
At 31 December 2022	-	1,839	28,823	30,662
Net book value at				
31 December 2021	-	-	1,937	1,937
31 December 2022	-	-	1,718	1,718

Notes to the financial statements (continued)

For the year ended 31 December 2022

10. Property, Plant and Equipment

	Land £000	Buildings £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2021	60	2,354	62,826	65,240
Foreign Currency Translation	-	-	(7)	(7)
Additions	-	141	727	868
Disposals	-	-	(1,178)	(1,178)
Assets Held for Sale*	-	503	-	503
At 1 January 2022	60	2,998	62,368	65,426
Foreign exchange translation differences	-	-	7	7
Additions	-	-	569	569
Reclassifications	-	-	-	-
Disposals	-	(195)	(308)	(503)
At 31 December 2022	60	2,803	62,636	65,499
Depreciation				
At 1 January 2021	-	2,187	61,615	63,802
Foreign Currency Translation	-	-	(4)	(4)
Charge for the period	-	30	518	548
Disposals	-	-	(1,178)	(1,178)
Assets held for Sale*	-	341	-	341
At 1 January 2022	-	2,558	60,951	63,509
Foreign exchange translation differences	-	-	8	8
Charge for the period	-	41	454	495
Disposals	-	(143)	(276)	(419)
At 31 December 2022	-	2,456	61,137	63,593
Net book value at				
At 31 December 2021	60	440	1,417	1,917
At 31 December 2022	60	347	1,499	1,906

* The Land and Buildings at the Tipton site amounting to a net book value of £2,491,914 were transferred to assets held for sale on the Statement of Financial position in 2020 as the decision to sell had been agreed at that year-end and the asset was subsequently sold on 13th January 2021 – see note 25.5

In 2021 assets with net book value of £161,823 were reclassified back from Assets Held for Sale to Buildings due to these assets being retained by the Company.

There are no contractual obligations to fund future tangible assets.

There are no restrictions on title given to banks of any fixed assets held by the Company.

Notes to the financial statements (continued)

For the year ended 31 December 2022

11. Investments in subsidiaries

	Subsidiaries £000	Total £000
At 1 January 2021	1,000	1,000
Transfer from subsidiary *	136,654	136,654
Impairment of subsidiary undertaking **	(93,018)	(93,018)
At 1 January 2022	44,636	44,636
Disposal of subsidiary ***	(44,636)	(44,636)
At 31 December 2022	-	-

* In August 2021 the Company received a single share issued by its subsidiary Doosan Power Systems Europe GmbH (DPSE) for consideration of £136.7m paid for by a reduction in the loan receivable by the Company from the Company's parent, Doosan Power Systems SA. DPSE was merged with its then subsidiary Doosan Lentjes GmbH (Lentjes) and the investment was then impaired to the observed fair value less cost of disposal.

The purpose of this transaction was to simplify the group, bring Lentjes into ownership of the Company and settle some large intercompany loans. Lentjes was subsequently transferred out of the Doosan Babcock Group on 30th June 2022 up to parent company DPSSA because it was not within the perimeter of the sale of the group to Altrad UK Limited and hence could not be owned by the company upon completion of the sale. This transfer was effected at fair value of £44m which was calculated by the external specialist, Deloitte, on 16th November 2021 based on the Discounted Cashflow method assuming that Perpetuity Growth Rate (PGR) is 0% and discount rate is 11.2%. As such, the fair value is categorised as level 3 in accordance with IFRS 13. This was the price actually used when the transfer was finally effected on 30th June 2022.

The valuation assumed Compound annual Growth Rate (CGR) of 17.2% over 5 years and Gross margin in the region of 12%. The high rate of CGR is mainly based on the growth of Waste to Energy (WtE) business which is proven by secured future revenues from projects such as Dinslaken, Olstyn, Warsaw and Wiesbaden. Some sensitivity analysis was performed on this valuation with the following results:

Sensitivity analysis

Discount Rate	10.2%	12.2%
Change in valuation £k	1,764	(1,510)
Perpetuity Growth Rate	1%	0.5%
Change in valuation £k	832	397

A further impairment of £1,000k was made in 2021 to impair the investment in subsidiary Altrad Babcock Power Systems Overseas Investments Limited to zero. Following the transfer of the investment in Lentjes business out of this subsidiary it is no longer able to generate enough cash flows to settle its intercompany payables due to the Company and hence would not be able to honour the investment value.

** The investment was then impaired by £92,018k to the observed fair value less cost of disposal.

*** On 30th June 2022 Lentjes was transferred out of the ABL Group to the then parent company DPSSA because it was not within the perimeter of the sale of the group to Altrad UK Limited and hence could not be owned by the Company upon completion of the sale. This transfer was effected at fair value.

Notes to the financial statements (continued)

For the year ended 31 December 2022

11. Investments in subsidiaries and associates (continued)

Direct subsidiaries of the Company:

All 100% owned unless otherwise stated:	Notes	Registered Office
Principal subsidiary undertakings:		
Doosan Babcock General Maint Services L.L.C. (49%).	AC	Ittihad Complex, Mussafah, Sector M-15 PLOT No 41 Abu Dhabi, UAE
Altrad Babcock Energy Services (Overseas) Limited	A	Building 2, Fields End Business Park, Thurnscoe, Goldthorpe, Rotherham, England. S63 0JF
Altrad Babcock Germany GmbH	A	Droßiger Weg 56, D-06188 Landsberg OT Hohenthurm, Germany
Altrad Babcock for Oil and Gas Services W.L.L (49%)	AD	3rd Floor, Tornado tower, West Bay, Post box 2038, Doha, State of Qatar.
Altrad Babcock America LLC	A	1050 Crown Pointe Parkway, Suite 1200, Atlanta, GA 30338, USA
Other subsidiary undertakings:		
Altrad Babcock Power Systems Overseas Investments Limited	B	Building 2, Fields End Business Park, Thurnscoe, Goldthorpe, Rotherham, England. S63 0JF

Notes on nature of business

A Providing high value-added energy services and innovative technology led business solutions to the power generation industry and associated markets.

B Holding company

C Whilst the shareholding of this company is 49%, Altrad Babcock exercises control over it through holding 3-1 positions on the board, appointing its own local General manager and having entitlement to 90% of profits from this company. Therefore, the Directors consider that Altrad Babcock exercises full control over this company and are classifying it as a subsidiary accordingly.

D The shareholding of this company is 49%, Altrad Babcock exercises full control over it through holding 4-3 positions on the board and appointing the general manager. Therefore it has been classified as a subsidiary

The Company had the following indirect subsidiaries at the year end:

All 100% owned unless otherwise stated:	Notes	Registered Office
Principal subsidiary undertakings:		
Altrad Babcock Europe S.A. (98.90%) (Poland)	1 A	Podmiejska 7, Rybnik, Poland
Other subsidiary undertakings:		
Investments at fair value:		
HTC Pureenergy Inc. (7.35%)	1 B	002 2305 Victoria Avenue, Regina, Saskatchewan, S4P 0S7, Canada

Notes on holdings

1 Indirectly held through Altrad Babcock Power systems Overseas Investments Limited.

Notes on nature of business

A Providing high value-added energy services and innovative technology led business solutions to the power generation industry and associated markets.

B Research and development of innovative technology for the power generation industry.

12. Financial instruments

Accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are set out in note 2.17.

Capital risk management

The Company manages its capital to ensure its ability to continue as a going concern and to maintain its optimal capital structure. During 2022 the capital structure of the Company consisted of share capital, loans and retained earnings ultimately attributable to Doosan Enerbility Corporation (a Korean Company) and from 25th September 2022 ultimately attributable to Altrad Investment Authority SAS (a French company) following the Company and its subsidiaries being sold to Altrad UK Limited.

The Company manages its capital with the clear goal of optimising revenues, costs and assets of its individual operations, ensuring sufficient liquidity at all times. This ensures that the Company can operate on a going concern basis.

The Company's equity consists of common stock, capital reserves and retained earnings.

Notes to the financial statements (continued)

For the year ended 31 December 2022

12. Financial instruments (continued)

12.1. Categories of financial instruments

	Receivables / (payables) cash and cash equivalents £000	Financial Liabilities at amortised cost £000	Assets held at cost less impairment value £000	Derivatives £000	Total £000
2022					
Financial assets					
Cash and cash equivalents	30,383	-	-	-	30,383
Trade receivables	36,116	-	-	-	36,116
Loans to Group Undertakings	121,122	-	-	-	121,122
Loss provision for impairment of receivables	(122,764)	-	-	-	(122,764)
Contract Assets	32,855	-	-	-	32,855
Derivatives	-	-	-	4	4
Total	97,712	-	-	4	97,716
Financial Liabilities					
Trade and other payables	(57,133)	-	-	-	(57,133)
Derivatives	-	-	-	(71)	(71)
Amounts owed to parent group	-	(7,264)	-	-	(7,264)
Leases	-	(20,487)	-	-	(20,487)
Total	(57,133)	(27,751)	-	(71)	(84,955)

	Receivables / (payables) cash and cash equivalents £000	Financial Liabilities at amortised cost £000	Assets held at cost less impairment value £000	Derivatives £000	Total £000
2021 Restated					
Financial assets					
Cash and cash equivalents	638	-	-	-	638
Trade receivables	36,637	-	-	-	36,637
Loans to Group Undertakings	442,910	-	-	-	442,910
Loans to joint ventures	3,714	-	-	-	3,714
Loss provision for impairment of receivables	(111,410)	-	-	-	(111,410)
Amounts Recoverable on contracts	16,254	-	-	-	16,254
Accrued income	5,367	-	-	-	5,367
Derivatives	-	-	-	94	94
Investments	-	-	44,636	-	44,636
Total	394,110	-	44,636	94	438,840
Financial Liabilities					
Trade and other payables	(42,071)	-	-	-	(42,071)
Derivatives	-	-	-	(14)	(14)
Borrowings	-	(26,114)	-	-	(26,114)
Leases	-	(28,802)	-	-	(28,802)
Amounts owed to Group Undertakings	(16,639)	(77,411)	-	-	(94,050)
Total	(58,710)	(132,327)	-	(14)	(191,051)

Notes to the financial statements (continued)

For the year ended 31 December 2022

12. Financial instruments (continued)

12.2. Derivatives

All derivative assets and liabilities on the statement of financial position relate to foreign exchange hedges against cash flows.

The Company does not apply hedge accounting and so does not have a hedging reserve.

	Current assets £000	Non-current assets £000	Total £000	Current liabilities £000	Non-current liabilities £000	Total £000
2022						
At fair value through profit or loss	4	-	4	(71)	-	(71)
Total	4	-	4	(71)	-	(71)
2021						
At fair value through profit or loss	88	6	94	(14)	-	(14)
Total	88	6	94	(14)	-	(14)

The table below shows the maturity of the derivatives and hence when the effect of their exercise will be seen as cash flow:

	2022 Receivable £000	2022 Payable £000	2022 Total £000	2021 Receivable £000	2021 Payable £000	2021 Total £000
Maturing within:						
One year	4,173	(4,240)	(67)	5,376	(5,302)	74
One to two years	-	-	-	157	(151)	6
Two to five years	-	-	-	-	-	-
Total	4,173	(4,240)	(67)	5,533	(5,453)	80

12.3. Maturity of Financial liabilities

The table below shows the maturity profile of financial liabilities based on contractual undiscounted payments:

	2022 Trade and Other Payables £000	2022 Lease Liabilities £000	2022 Borrowings £000	2022 Total £000	2021 Trade and Other Payables £000 Restated *	2021 Lease Liabilities £000	2021 Borrowings £000	2021 Total £000
Maturing within:								
One year	57,133	3,829	7,263	68,225	58,710	5,583	107,203	171,496
One to two years	-	3,500	-	3,500	-	5,325	-	5,325
Two to five years	-	6,770	-	6,770	-	10,169	-	10,169
More than 5 years	-	10,081	-	10,081	-	12,140	-	12,140
Total	57,133	24,180	7,263	88,576	58,710	33,217	107,203	199,130

* A reclassification of £1,050k of Accrued overhead to Prepayments had not been reflected in this note in 2021

Notes to the financial statements (continued)

For the year ended 31 December 2022

12. Financial instruments (continued)

12.4. Fair value estimation

The Company holds certain financial instruments on the statement of financial position at their fair value. The following table provides an analysis of those that are measured subsequent to initial recognition at fair value through profit or loss, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Specifically, the value of these assets and liabilities are determined by measuring the difference between the exchange rate at the reporting date and the forward exchange rate per the contract; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The investment is held at cost value less any impairment which has occurred.

There have been no transfers between these categories in the current or preceding year.

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
2022				
Financial assets – foreign currency contracts	-	4	-	4
Total assets measured at fair value	-	4	-	4
Financial liabilities – foreign currency contracts	-	(71)	-	(71)
Total liabilities measured at fair value	-	(71)	-	(71)
2021				
Financial assets – foreign currency contracts	-	94	-	94
Total assets measured at fair value	-	94	-	94
Financial liabilities – foreign currency contracts	-	(14)	-	(14)
Total liabilities measured at fair value	-	(14)	-	(14)

Notes to the financial statements (continued)

For the year ended 31 December 2022

12. Financial instruments (continued)

12.5. Financial risk factors

The Company's activities expose it to a variety of risk factors: market risk, liquidity risk, exchange rate risk, commodity risk, credit risk and interest rate risk. The Company's risk management strategy seeks to minimise the potential adverse effects of these risks on the Company's financial performance.

Financial risk management is carried out centrally by Company Treasury under policies approved by the Board. Company Treasury liaises with the Company's operating units to identify, evaluate and hedge financial risks. The Company uses derivative financial instruments to hedge risk exposures. The Company does not trade in financial instruments for speculative purposes.

a) Liquidity risk

The Company manages liquidity risk by maintaining adequate cash balances, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

During 2022 the Company had an overdraft pooling arrangement between itself and its parent company DPSSA. The net balance is not permitted to go into overdraft and hence there is always a larger positive cash balance in DPSSA to offset the overdraft in the Company. Upon completion of the sale of the company to Altrad UK Limited the overdraft balance at that time was settled in full and the pooling arrangement was ended. The Company no longer has an overdraft facility.

b) Exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from exposure to various currencies, primarily to Euros, UAE Dirhams and Polish Zloty whilst its functional currency is in Pound Sterling. Foreign exchange risk arises from future trading transactions, assets and liabilities and net investments in foreign operations.

Company policy requires operating companies to tackle their transactional foreign exchange risk against their functional currency. Company Treasury enters into forward contracts on behalf of operating companies to cover foreign exchange transaction risk above pre-set materiality levels determined by the Chief Financial Officer whenever a current or future foreign currency exposure is identified with sufficient reliability.

The Company is also exposed to tender exchange rate risk, which is the risk of financial loss as a result of adverse exchange rate movements during the tender period. The Company manages this risk by agreeing price adjustment formulae with the Client where possible and also by including an appropriate level of contingency in the tender exchange rates used.

Details of forward foreign exchange contracts outstanding at the reporting date in respect of foreign currency transaction exposures are set out in note 12.1 above.

The notional principal amounts of foreign exchange contracts in respect of foreign currency transactions where hedge accounting is not applied is **£4.2m** (2021: £5.6m).

c) Commodity risk

The Company is exposed to commodity price risk in its normal operations. This risk is managed by agreeing escalation formulae in commercial contracts with Clients that enables the Company to recover any losses incurred as a result of an increase in the price of a commodity.

Notes to the financial statements (continued)

For the year ended 31 December 2022

12. Financial instruments (continued)

12.5. Financial risk factors (continued)

d) Credit risk

Credit risk is the risk that the counterparty will default on its contractual obligations, resulting in financial loss. Credit risk arises from cash and cash equivalents, derivative financial instruments and credit exposures to Clients, including outstanding receivables and committed transactions. The Company also has a policy of assessing the creditworthiness of potential Clients before entering into transactions.

For cash and cash equivalents and derivative financial instruments the Company has a policy of depositing funds only with independently rated counterparties with a minimum Fitch short- and long-term credit rating of F1/A. Management monitors the utilisation of these credit limits regularly. The primary bank used is HSBC which has a AA- rating and hence is seen to pose a low concentration risk.

For trade and other receivables credit evaluation is performed on the financial condition of accounts receivable using independent ratings where available or by assessment of the Client's credit quality based on its financial position, past experience and other factors. Where deemed necessary, the Company will insist upon a bank guarantee or parent company guarantee before entering into a contract with a counter party.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Company uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables and contract assets. The provision rates are based on days past due for the entire receivable portfolio and rates of delinquency by Client for the largest Clients, which covers over 90% of the overall balance receivable, billed and unbilled.

Following this initial assessment, the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in a particular Client the default rates are adjusted.

This assessment of ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The information about the provision against the Company's trade receivables and contract assets is disclosed in Note 14 and 26.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

e) Interest rate risk

All borrowings are from parent companies and are at a fixed rate of interest, as such the interest risk is low.

The following loans were settled during 2022:

- Revolving credit facility with Standard Chartered Bank which was fully utilised, the balance of £25.1m was repaid on 26th September 2022 (2021: £25.0m).
- Loan from former parent company Doosan Enerbility Corporation and Construction Co. Ltd of £30.5m was settled on 30th June 2022.
- Loan from former parent company Doosan Enerbility Corporation and Construction Co. Ltd of £16.0m was settled on 30th June 2022.
- Loan from Doosan Lentjes GmbH for £33.0m (€38.4m) (2021 :£31.7m (€37.8m)).

A 1% increase in interest rates would have resulted in an additional £74k (2021: £567k) of interest payable. A 1% reduction in interest rates would have resulted in a reduction in interest payable of £74k (2021: £246k). This is calculated by adding up the net of all interest paid and received during the year on all loans that are not fixed interest and estimating what the charge would have been if interest rates were 1% higher or lower.

Notes to the financial statements (continued)

For the year ended 31 December 2022

12. Financial instruments (continued)

12.6. Summary of financial Instruments in currencies

The below figures are all stated as GBP equivalents.

	GBP £000	PLN £000	USD £000	EUR £000	AED £000	Other £000	Total £000
2022							
Cash, cash equivalents and other financial assets	26,982	-	454	2,771	-	176	30,383
Financial derivatives	4	-	-	-	-	-	4
Trade and other receivables	61,573	-	-	837	-	2,123	64,533
Loans to Group undertakings	-	2,025	-	770	-	1	2,796
Total	88,559	2,025	454	4,378	-	2,300	97,716
Financial derivatives	(71)	-	-	-	-	-	(71)
Trade and other payables	(53,096)	(8)	(1,292)	(2,681)	(10)	(46)	(57,133)
Leases	(20,487)	-	-	-	-	-	(20,487)
Borrowings	(7,264)	-	-	-	-	-	(7,264)
Total	(80,918)	(8)	(1,292)	(2,681)	(10)	(46)	(84,956)
Net total	7,641	2,017	(838)	1,697	(10)	2,254	12,761
2021 Restated							
Cash, cash equivalents and other financial assets	589	-	-	-	-	49	638
Financial derivatives	94	-	-	-	-	-	94
Trade and other receivables	315,883	-	-	72,222	-	-	388,105
Total	316,566	-	-	72,222	-	49	388,837
Financial derivatives	(14)	-	-	-	-	-	(14)
Trade and other payables	(58,710)	-	-	-	-	-	(58,710)
Leases	(28,802)	-	-	-	-	-	(28,802)
Borrowings	(71,781)	-	-	(31,743)	-	-	(103,524)
Total	(159,307)	-	-	(31,743)	-	-	(191,050)
Net total	157,259	-	-	40,479	-	49	197,787

The Company has assets and liabilities in foreign currencies, principally US Dollars, Euros, Czech Koruna and United Arab Emirates Dirham. The effect on the income statement of a 20% movement in the rates would be £5.1m each way. This was calculated by adding up the value of all assets and liabilities held in all companies in the Company which were not in their local currency and converting the amounts into Pound Sterling. The risk is then assumed to be 20% of this amount. Given the fluctuations in our principal foreign currencies, which are noted above, against the Pound Sterling during and after the year-end, the directors have determined that 20% fluctuations from the year-end rates are a reasonable possibility and have therefore used this percentage as a basis for their assessment.

Notes to the financial statements (continued)

For the year ended 31 December 2022

12.7. Changes in liabilities arising from financing activities

2022	1 Jan 2022	Cash Flows	Foreign Exchange	Interest Charged	Offset of Loans Receivable*	Share Capital Conversion	31 Dec 2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bank Loans	24,925	(615)	-	796	(25,106)	-	-
Loans from companies in the former Parent group	45,669	(128)	-	969	(46,510)	-	-
Loans from companies in the Parent Group *	-	49,627	-	531	25,106	(68,000)	7,264
Loans from group undertakings	31,741	-	886	583	(33,210)	-	-
Bank Overdrafts	1,189	(1,189)	-	-	-	-	-
Total	103,524	47,695	886	2,879	(79,720)	(68,000)	7,264

* The total amount loaned by companies in the Parent Group was £74,733k. Of this amount, £25,106k arose from the repayment of the bank loans directly by the Parent Group on behalf of the Company.

2021	1 Jan 2021	Cash Flows	Foreign Exchange	Interest Charged	Offset of Loans Receivable **	Others	31 Dec 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Bank Loans	24,974	(927)	-	878	-	-	24,925
Loans from companies in the Parent group	43,602	(34)	-	2,101	-	-	45,669
Loans from subsidiary undertakings	57,148	-	(3,724)	1,018	(22,701)	-	31,741
Bank Overdrafts	10,092	(8,903)	-	-	-	-	1,189
Total	135,816	(9,864)	(3,724)	3,997	(22,701)	-	103,524

Notes to the financial statements (continued)

For the year ended 31 December 2022

13. Inventory

	2022 £000	2021 £000
Raw materials and consumables	549	337
Work-in-Progress	12	12
Inventory allowance *	(176)	(38)
Total inventory	385	311

* The inventory allowance relates to write down to fair value less costs to sell.

14. Trade and other receivables

14.1. Trade and other receivables

	2022 £000	2021 £000 Restated
Current:		
Trade receivables	30,491	33,810
Expected credit loss for trade receivables	(1,612)	(622)
Amounts owed by joint ventures	-	3,714
Amounts owed by group undertakings	77	7,870
Other taxes receivable	3,879	4,036
Other receivables	7,400	4,679
Prepayments	2,911	1,699
Accrued income	-	5,367
Total receivables	43,146	60,553

	2022 £000	2021 £000 Restated *
Non - Current:		
Trade receivables	2,826	2,826
Expected credit loss for trade receivables	(2,826)	(2,826)
Amounts owed by the former parent company **	48,706	328,513
Provision against amounts owed by former parent company **	(48,706)	-
Amounts owed by joint ventures	-	2,010
Amounts owed by subsidiary undertakings	123,844	106,527
Expected credit loss for amounts owed by group companies *	(118,326)	(107,963)
Total receivables	5,518	329,087

* Expected credit loss on Intercompany loans has been pushed back to prior year as it is believed the conditions that resulted in the impairment existed at that time. The provision has been split out to a separate. See note 2.2 for further details

** The majority of the loan balance receivable from DPSSA was settled on 22nd September 2022 via dividend, but £48.7m remained outstanding due to part of the settlement dividend being regarded as unlawful. The directors have determined the loan to be fully impaired.

Notes to the financial statements (continued)

For the year ended 31 December 2022

14. Trade and other receivables (continued)

Included in non-current receivables in the prior year were related party loans. Further details of these loans can be obtained from Note 28.

14.2. Expected credit loss allowance for receivables

	2022 £000	2021 £000
Expected credit loss for trade receivables		
Balance as at 1 January	(3,448)	(2,568)
(Charged) / credited to the income statement:		
(Increase) / Decrease in expected credit loss	(990)	(1,144)
Unused amounts reversed	-	11
Applied	-	253
Balance at 31 December	(4,438)	(3,448)
Of which relates to:		
Trade receivables due <1 year	(1,612)	(622)
Trade receivables due >1 year	(2,826)	(2,826)
Balance at 31 December	(4,438)	(3,448)

The Directors consider that the carrying values of current trade and other receivables approximate their fair values. It is Company policy to hedge against net cash inflows in foreign currencies, which may not necessarily equal the revenues received from invoicing trade receivables.

Based on prior experience and an assessment of the current economic environment, management believes there is no further credit risk provision required in respect of trade and intercompany receivables.

	2022 £000	2021 £000
Expected credit loss for intercompany receivables		Restated *
Balance as at 1 January	(107,963)	(2,662)
Charged to the income statement:		
Increase of provisions	(10,363)	(105,301)
Provision against loan receivable from former parent company	(48,706)	-
Balance at 31 December	(167,032)	(107,963)

* Expected credit loss on Intercompany loans has been pushed back to prior year as it is believed the conditions that resulted in the impairment existed at that time. The provision has been split out to a separate. See note 2.2 for further details

Notes to the financial statements (continued)

For the year ended 31 December 2022

14. Trade and other receivables (continued)

14.2. Expected credit loss allowance for receivables (continued)

The expected credit loss for trade receivables is based on a review of financial circumstances of individual Clients. The ageing of the impaired receivables based on due date is as follows:

	Trade Receivables £000	ECL Applied %	Expected credit loss £000	Not impaired £000
2022				
Current	22,575	3.0%	687	21,888
Up to 3 months	6,175	1.5%	94	6,081
3 to 6 months	909	1.8%	16	893
6 to 12 months	54	68.5%	37	17
Over 12 months	3,604	100%	3,604	-
Total	33,317	13.3%	4,438	28,879
Due in <1 year	30,491	5.3%	1,612	28,879
Due in >1 year	2,826	100%	2,826	-
2021				
Current	32,366	1.3%	420	31,945
Up to 3 months	1,243	0%	-	1,243
3 to 6 months	-	0%	-	-
6 to 12 months	150	100%	150	-
Over 12 months	2,878	100%	2,878	-
Total	36,637	9.4%	3,448	33,188
Due in <1 year	33,810	1.8%	622	33,188
Due in >1 year	2,826	100%	2,826	-

The trade receivables disclosed above include amounts which are past due at the reporting date, but against which the Company has not recognised an expected credit loss because there has not been a significant change in credit quality, and we have strong relationships with most of our clients. The Company does not hold any collateral or other credit enhancements over these balances, nor does it have a legal right of offset against any amounts owed by the Company to the counterparty.

The expected credit loss (ECL) against the intercompany loans and receivables relates entirely to balances which have been outstanding for more than 12 months and so no ageing is provided.

Notes to the financial statements (continued)

For the year ended 31 December 2022

15. Trade and other payables

	2022 £000	2021 £000
Trade payables	24,068	35,989
Amounts owed to group undertakings	5,236	16,639
Other payables including taxation and social security	19,903	23,501
Accruals	27,079	5,328
Deferred income	19	-
Subsidiaries called up share capital not paid	750	750
Total payables	77,055	82,207

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 67 days (2021: 56 days). For most suppliers no interest is charged on overdue invoices. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. The Directors consider that the carrying amount of trade payables approximates to their fair value.

16. Borrowings

	2022 £000	2021 £000
Current:		
Bank Loans	-	24,925
Loans from Companies in the Parent Group	7,264	45,669
Loans from subsidiary undertakings	-	31,741
Bank overdrafts	-	1,189
Total borrowings	7,264	103,524

The following loans outstanding at the end of 2021 were settled during 2022:

Bank Loans

- Revolving credit facility with Standard Chartered Bank which was fully utilised, the balance of £25.01 was repaid on 26th September 2022 (2021: £25.0m).

Loans from Companies in the former Parent Group

- Loan from former parent company Doosan Enerbility Corporation and Construction Co. Ltd of £30.5m was settled on 30th June 2022.
- Loan from former parent company Doosan Enerbility Corporation and Construction Co. Ltd of £16.0m was settled on 30th June 2022.

Loans from former subsidiary undertakings

- Loan from Doosan Lentjes GmbH of £33.0m (€38.4m) (2021 :£31.7m (€37.8m)) was transferred to former parent DPSSA on 22nd September 2022 via offset against the loan receivable from DPSSA as part of the completion of the sale to the Altrad Group.

Notes to the financial statements (continued)

For the year ended 31 December 2022

17. Provisions

	Industrial Disease £000	Total non- current £000	Client Claim £000	Total Current £000	TOTAL £000
Balance at 1 January	8,388	8,388	-	-	8,388
Income statement charge	1,345	1,345	1,020	1,020	2,365
Unwinding of discounting	240	240	-	-	240
Applied in the year	(790)	(790)	(300)	(300)	(1,090)
Balance at 1 January 2022	9,183	9,183	720	720	9,903
Income statement charge	2,021	2,021	-	-	2,021
Unwinding of discounting	217	217	-	-	217
Applied in the year	(1,554)	(1,554)	(660)	(660)	(2,214)
Balance at 31 December 2022	9,867	9,867	60	60	9,927

The Industrial Disease provision of £9.9m (2021: £9.2m) relates to potential claims for which the Company may be liable, together with related legal costs. These claims relate to employees who were working for the Company in a period prior to 1972 who were exposed to asbestos and are now suffering illnesses as a result of this exposure. Due to the nature of these claims, it is not possible to predict precisely when these provisions will be utilised, but it is anticipated that, in the majority of cases, it would be in the medium term. The provision comprises: (i) a current element based on actual claims received and estimates of the related amounts likely to be paid out based on historical experience, and (ii) a future element derived by estimating the number and average value of future claims based on historical experience, and using an assumed inflation rate of 3.2% and a discount rate of 3.8%.

18. Deferred tax

	Accelerated tax depreciation £000	Withholding Tax £000	Retirement based obligations £000	Pension spreading £000	Unused tax Losses*/** £000	Other £000	Total £000
At 1 January 2021	3,045	(1,235)	12,904	-	11,065	1,131	26,910
(Charged) / credited to the income statement	263	(207)	(3,818)	5,485	(4,310)	-	(2,587)
Charged to other comprehensive income	-	-	(2,266)	-	-	331	(1,935)
Reclassification of R&D future tax benefit	-	-	-	-	-	366	366
At 31 December 2021	3,308	(1,442)	6,820	5,485	6,755	1,828	22,754
(Charged) / credited to the income statement	655	1,268	(1,539)	(1,724)	2,946	(175)	1,431
(Charged) to other comprehensive income	-	-	(5,281)	-	-	-	(5,281)
Reclassification of R&D future tax benefit	-	-	-	-	-	145	145
At 31 December 2022	3,963	(174)	-	3,761	9,701	1,798	19,049
At 31 December 2021							
Deferred tax assets	3,308	-	6,820	5,485	6,755	1,828	24,196
Deferred tax liabilities	-	(1,442)	-	-	-	-	(1,442)
	3,308	(1,442)	6,820	5,485	6,755	1,828	22,754
At 31 December 2022							
Deferred tax assets	3,963	-	-	3,761	9,701	1,798	19,223
Deferred tax liabilities	-	(174)	-	-	-	-	(174)
	3,963	(174)	-	3,761	9,701	1,798	19,049

A deferred tax asset has been recognised only to the extent that it is probable that the taxable profit will be available against which the asset can be utilised.

Notes to the financial statements (continued)

For the year ended 31 December 2022

18. Deferred tax (continued)

*The deferred tax asset in 2021 not relating to the pension deficit of £27m was believed to be recoverable from the expected future profits of the Company. However, an impairment of £11m was made against the asset, booked in 2021, reflecting the long timescale over which the asset will be utilised and the associated risk that comes with this. Losses observed in 2021 were exceptional as they relate to changes made in the business in preparation for the sale to Altrad UK Limited and are not expected to repeat in the coming years.

** In 2022 the deferred tax asset relating to the Pension deficit was written off as the deficit was transferred out of the Company. The remaining deferred tax asset of £28m was believed to be recoverable, but an impairment of £9m has been made against it. As a result of this no deferred tax asset has been recognised in respect of tax losses amounting to £36m (2021: £44m) The remaining amount of losses were believed to be recoverable as they can be offset against expected profits over the next 5 years based on the business plan and surrendered to other companies in the Altrad Group once the Company has been in the group for 5 years.

19. Share capital

	2022 £000	2021 £000
Called up, allotted and fully paid		
Ordinary shares of £1	69,957	261,957

All ordinary shares issued are fully paid, ordinary shares carry no right to fixed income, but each share carries the right to one vote at general meetings of the Company. There is no specified authorised share capital.

All shares are classed as equity.

On 21st September 2022, £260m of Share Capital was converted to distributable reserves through a Capital Reduction.

On 22nd December 2022 £68m of loan payable to parent company Altrad UK Limited was converted to Share Capital.

20. Retained earnings

	£000 Restated
Balance at 1 January 2021	153,021
Loss for the year	(197,543)
Transfer from Revaluation reserve	1,763
Actuarial loss on post-employment obligations	21,868
Deferred tax debit thereon	(2,266)
Balance at 1 January 2022	(23,157)
Loss for the year	(61,424)
Share Capital Conversion	260,000
Dividend Paid	(241,328)
Actuarial gain on post-employment obligations	25,694
Deferred tax debit thereon	(5,281)
Balance at 31 December 2022	(45,496)

21. Other Reserves

	Translation £000	Revaluation £000	Total £000
Balance at 1 January 2021	-	1,476	1,476
Tax on Revaluation of Land from prior years	-	331	331
Currency translation differences	13	-	13
Transfer to retaining earnings		(1,763)	(1,763)
Balance at 1 January 2022	13	44	57
Currency translation differences	(65)	-	(65)
Balance at 31 December 2022	(52)	44	(8)

Notes to the financial statements (continued)

For the year ended 31 December 2022

22. Notes to the cash flow statement

	2022 £000	2021 £000 Restated
Cash used in operations comprises:		
Loss before tax	(62,353)	(193,935)
Deduct net finance income	(13,787)	(518)
Expected credit losses on receivables and Contract assets	1,637	2,154
IAS19 Pension costs	1,343	2,590
Loss on settlement of Pension Scheme	10,545	-
Reversal of Impairment	-	(1,429)
Loss / (profit) on Disposal of Fixed assets	16	(1,776)
Impairment of investments	-	93,018
Impairment of Goodwill	-	326
Other expense / (income)	10	(3)
Expenses relating to industrial disease claims	2,022	1,346
Impairment of Intercompany loans	60,244	105,341
Profit on surrender of lease	(137)	-
Adjusted Operating (loss) / Profit	(460)	7,114
Payments made into defined benefit pension scheme	(8,865)	(18,651)
Amortisation of intangible assets	352	182
Depreciation of property, plant and equipment	495	548
Depreciation of right of use asset	2,966	2,892
Depreciation of investment property	973	1,279
Fair value of forward exchange contracts	(510)	252
Operating cash flow before movements in working capital	(5,049)	(6,384)
(Increase) / Decrease in inventories	(74)	125
(Increase) / Decrease in receivables	(9,360)	6,140
(Decrease) / increase in payables	198	9,576
Cash (used in) / generated from operations	(14,285)	9,457
Cash and cash equivalents comprise:		
Cash and bank balances	30,383	638

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

23. Capital commitments

The company has no capital commitments.

24. Contingent liabilities

In the ordinary course of business, the Company has guarantees and counter indemnities in respect of bonds relating to performance under contracts. The Company also enters into forward exchange contracts to reduce its risk and exposure to fluctuations in exchange rates, which accrue in the ordinary course of business. The Company assesses any legal claims on a regular basis. To the extent that a claim is payable and measurable a provision is reflected in the accounts accordingly.

There is currently a claim of CAD\$23m from Ontario Power Generation in Canada for economic loss suffered by them on work performed by the Company. The Company does not believe the claim has any foundation and is extremely unlikely to be successful. As such no provision has been made in the financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2022

25. Leasing

Company as a lessee

The Company has lease contracts for various office and factory premises and items of plant, machinery, vehicles and other equipment used in its operations. Leases of office and factory premises are for varying periods between 2 and 15 years. Leases of plant, machinery, vehicles and other equipment generally have lease terms between 2 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below. The Company also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

25.1. Right of use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings £000	Motor Vehicles £000	Total £000
Cost			
Balance at 1 January 2021	24,725	1,970	26,695
Additions	1,552	122	1,674
Disposals	(372)	(80)	(452)
Write off on termination of lease *	(1,754)	-	(1,754)
Balance at 1 January 2022	24,151	2,012	26,163
Additions	588	66	654
Disposals	(983)	(238)	(1,221)
Termination of Crawley lease	(1,661)	-	(1,661)
Balance at 31 December 2022	22,095	1,840	23,935
Depreciation			
Balance at 1 January 2021	4,056	632	4,688
Charge for period	2,442	450	2,892
Disposals	(372)	(79)	(451)
Write off on termination of lease *	(340)	-	(340)
Balance at 1 January 2022	5,786	1,003	6,789
Charge for period	2,550	416	2,966
Disposals	(792)	(237)	(1,029)
Termination of Crawley lease	(1,132)	-	(1,132)
Balance at 31 December 2022	6,412	1,182	7,594
Net book value at			
31 December 2021	18,365	1,009	19,374
31 December 2022	15,683	658	16,341

* Two leases were ended early, by agreement with the landlord, resulting in the above write off with a net book value of £1,414k, a corresponding write back of lease liability of £1,480k was recognised at the same time.

Notes to the financial statements (continued)

For the year ended 31 December 2022

25. Leasing (continued)

25.2. Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2022 £000	2021 £000
Balance at 1 January	28,802	28,396
Additions	654	4,113
Accretion of interest	1,030	1,128
Termination of Crawley lease	(4,558)	-
Write off on termination of lease	(210)	(1,480)
Payments	(5,230)	(3,355)
Balance at 31 December	20,487	28,802
Current	3,765	5,530
Non-Current	16,722	23,272

An ageing of the maturity of these liabilities can be found in note 12.

25.3. Items recognised in income statement

The following are the amounts recognised in the income statement:

	2022 £000	2021 £000
Depreciation expense of right of use assets	2,966	2,892
Depreciation expense of Investment property	973	1,279
Impairment expense / (Reversal of impairment) of Investment property	-	(1,429)
Interest expense on lease liabilities	1,030	1,128
Expense relating to Short-Term Leases	24	-
Expense relating to leases of low-value assets (included in administrative expenses)	109	142
Total amount recognised in income statement	5,102	4,012

The Company had total cash outflows for leases of £5,339k in 2022 (2021: £3,497k). The Company also had non-cash additions to right-of-use assets and lease liabilities of £654k in 2022 (2021: £1,674k).

25.4. Extensions and terminations

The Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below the effects of exercising potential early termination options on leases. There are no extension options.

	<1 year £000	1-5 years £000	>5 years £000	Total £000
Termination options expected not to be exercised	229	(746)	(257)	(774)

There are no commitments on leases not started yet.

Notes to the financial statements (continued)

For the year ended 31 December 2022

25. Leasing (continued)

25.5. Sale and leaseback

The details of the sale and lease back transaction in 2021 can be found below:

	Tipton
Date of Sale	13th January 2021
Seller	Altrad Babcock Limited (Doosan Babcock Limited as was)
Buyer (Lessor)	Thomas Dudley group Limited
Lessee	Altrad Babcock Limited (Doosan Babcock Limited as was)
Lease period	10 years
Discount rate *	4.934%
Annual Rent	£ 477,000

* As interest rates implicit in the leases cannot be readily determined, the Company used incremental borrowings rate.

	Tipton £000
Net cash inflow	
Cash proceed	6,550
Disposal cost	(172)
Net book values of properties	
Investment property – Land	-
Investment property – Building	-
Property – Land	(2,060)
Property – Building	(270)
ROUA and lease liability	
Right-of-use asset	1,345
Lease liability	(3,785)
Disposal profit	(1,608)

Notes to the financial statements (continued)

For the year ended 31 December 2022

26. Construction contracts in progress

26.1. Contract Balances

	2022 £000	2021 £000
Amounts due from Clients for contract work		
Trade receivables (billed revenue)	33,317	36,636
Expected credit loss for trade receivables	(4,438)	(3,448)
Contract assets (unbilled revenue)	36,309	19,060
Expected credit loss for contract assets	(3,454)	(2,807)
Contract liabilities (payments in advance)	(12,048)	(7,838)
	49,686	41,603

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Contract assets are initially recognised for revenue earned from costs incurred on work performed for the client. Contract liabilities include amounts received from clients in advance of work to be performed. Contract assets relate to revenue earned on contracts where the billing schedule agreed with the customer is such that payments are made in arrears once milestones have been achieved or costs have been incurred and applications for payments approved. When milestones on project billing schedules are reached before the costs associated with the amounts are incurred, this leads to the recognition of a contract liability. The financing element of revenue contracts is immaterial, so no adjustments have been made to reflect this.

Significant billing at the end of 2021 due to completion of milestones on certain projects resulted in very low contract assets at that time. The 2022 balance sees a return to more usual amounts.

In respect of trade receivables, a loss of £990k (2021: £1,144k loss) was recognised in respect of an increase in the provision against trade receivables. A further profit of £Nil (2021: £11k) was recognised against trade receivables directly in the income statement due to unused amount reversed.

In respect of contract assets, a loss of £647k (2021: £1,010k loss) was recognised in respect of an increase in the provision against contract assets.

Notes to the financial statements (continued)

For the year ended 31 December 2022

26. Construction contracts in progress (continued)

26.2. Contract and revenue disclosure

	2022 £000	2021 £000
Aggregate amount of costs incurred, plus recognised profits (less recognised losses) for all contracts in progress that had not reached practical completion at the reporting date	1,015,818	758,718
Transaction price allocated to remaining performance obligations (order book) *	729,930	813,112
Revenue recognised in the reporting period that was included in the contract liability balance at the start of the period	5,628	5,069

* Owing to the long term nature of the contracts, it is not possible estimate with any certainty when the revenue from remaining performance obligations will be recognised. Management expects the majority of this revenue will be recognised within the next 10 years.

26.3. Contract Asset expected credit loss provision

The movement in the Contract Asset expected credit loss provision is as follows:

	2022 £000	2021 £000
Contract Asset expected credit loss provision movement		
Balance as at 1 January under IFRS 9	(2,807)	(1,797)
(Charged) / credited to the income statement:		
Additional expected credit loss	(647)	(1,010)
Balance at 31 December	(3,454)	(2,807)

The ageing of the contract asset expected credit loss provision is as follows:

	2022 £000	2021 £000
Current	116	131
Up to 3 months	126	63
3 to 6 months	64	9
6 to 12 months	941	817
Over 12 months	2,207	1,787
	3,454	2,807

27. Investment Property

	Leasehold properties £000
Cost	
Balance at 1 January 2021 and 31 December 2021 *	7,646
Disposals	(7,646)
Balance at 31 December 2022	-
Depreciation	
Balance at 1 January 2021 *	3,425
Charge for period *	1,279
Impairment *	(1,429)
Balance at 1 January 2022 *	3,275
Charge for period	973
Disposal	(4,248)
Balance at 31 December 2022	-
Net book value at	
31 December 2021	4,371
31 December 2022	-

* The Company held a right of use asset on a property in Crawley. 82.4% of this property was not occupied by the Company and so was held to sub-let to third parties. In order to comply with IAS40 until 22th September 2022 this element of the ROUA was reclassified as Investment property in the current and prior years.

Notes to the financial statements (continued)

For the year ended 31 December 2022

27. Investment Property (continued)

Details of income and expenses associated with this property are as follows:

	2022 Leasehold Property £000	2021 Leasehold Property £000
Cost		
Proportion of Investment property rented out	0%	0%
Fair value of land and buildings	-	25,585
Fair value of the right to use the leasehold property *	-	5,034
Depreciation charged	973	1,279
Period of depreciation	-	7 years
Rental Income	-	-
Service charge income	-	-
Maintenance costs	22	11
Expenses incurred charged right back	-	46

* The fair value was assessed by management.

28. Related party transactions

28.1. Subsidiary undertakings

Receivables and payables

	2022 £000	2021 £000 Restated
Receivables		
Amounts owed by Altrad Babcock Energy Germany GmbH	778	1,853
Amounts owed by Altrad Babcock Europe S.A. (Poland) **	2,020	-
Amounts owed by Altrad Babcock Power Systems Overseas Investments Limited (ABPSOIL)	-	-
Amounts owed by Altrad Babcock Oil and Gas W.L.L	2,722	5,724
Amounts owed by Doosan Babcock General Maint Services L.L.C.	-	-
Total receivables	5,520	7,577
Payables		
Amounts owed to Altrad Babcock Energy Services (Overseas) Limited	675	804
Amounts owed to Altrad Babcock Europe S.A. (Poland)	224	84
Amounts owed to Doosan Lentjes GmbH (Lentjes)	-	31,743
Total payables	899	32,631

Notes to the financial statements (continued)

For the year ended 31 December 2022

28. Related party transaction (continued)

28.1 Subsidiary undertakings (continued)

Income and costs from subsidiary undertakings

	2022 £000	2021 £000
Income		
Doosan Power Systems Europe GmbH	-	62
Altrad Babcock for Oil and Gas services W.L.L. (Qatar)	580	-
Doosan Babcock General Maint Services L.L.C.	1,076	74
Altrad Babcock America LLC	264	38
Total income	1,920	174

	2022 £000	2021 £000
Costs		
Altrad Babcock Energy Germany GmbH	-	18
Altrad Babcock Europe S.A. (formerly Doosan Babcock Energy Polska z.o.o.)	115	610
Total costs	115	628

Finance income and costs from subsidiary undertakings

	2022 £000	2021 £000
Finance income		
Doosan Power Systems Europe GmbH	-	268
Doosan Babcock General Maint Services L.L.C.	1,772	830
Altrad Babcock Overseas Investments Limited	2,119	1,477
Altrad Babcock Oil and Gas W.L.L.	231	12
Total finance income	4,122	2,587
Finance costs		
Doosan Lentjes GmbH	583	1,018
Total finance costs	583	1,018

Notes to the financial statements (continued)

For the year ended 31 December 2022

28. Related party transaction (continued)

28.2. Former Parent Group Entities (Doosan)

Receivables and payables from former parent group entities

	2022 £000	2021 £000
Amounts owed by Doosan Power Systems S.A.*		330,732
Amounts owed by Doosan Enerbility Corporation	77	3,942
Amounts owed by Doosan Power Systems India	-	267
Total receivables	77	334,941
Amounts owed to Doosan Information and Communications Europe Limited	3,231	5,793
Amounts owed to Doosan Power Systems S.A	9	445
Amounts owed to Doosan Enerbility Corporation	933	55,007
Total payables	4,173	61,245

* The majority of the loan balance receivable from DPSSA was settled on 22nd September 2022 via dividend, but £48.7m remained outstanding due to part of the settlement dividend being regarded as unlawful. The directors have determined the loan to be fully impaired.

Income and costs from other former parent group entities

	2022 £000	2021 £000
Income		
Doosan Enerbility Corporation	2,897	1,556
Doosan Power Systems S.A.	1,387	-
Doosan Information and Communications Europe Limited	134	123
Total income	4,418	1,679
Costs		
Doosan Enerbility Corporation	1,887	1,507
Doosan Information and Communications Europe Limited	12,477	8,301
Doosan Power Systems (Scotland) Limited Partnership	-	1,001
Total costs	14,364	10,809

Finance income and costs from other group entities

	2022 £000	2021 £000
Finance income		
Doosan Power Systems S.A.	6,673	9,335
Total finance income	6,673	9,335
Doosan Enerbility Corporation	968	2,071
Total finance cost	968	2,071

Notes to the financial statements (continued)

For the year ended 31 December 2022

28. Related party transaction (continued)

28.3. Current Parent Group Entities (Altrad)

On 25th September 2022, the Company was sold to Altrad UK Limited and so became a part of the Altrad Group. As such all companies in the Altrad Group became related parties and transactions and balances with them are listed below.

On Completion, Altrad UK Limited loaned £74,733k to the Company, which was used to settle the Standard Chartered Bank loan, of £25,106k, pay off the Overdraft and provide working capital to the Company. On 22nd December 2022 £68,000k of the balance was converted to share capital, leaving a balance of £7,264k still due at the year end. See note 16 for further details of this loan.

Receivables and payables from parent group entities

	2022 £000	2021 £000
Receivables		
Altrad Services Limited	38	13
Total receivables	38	13
Payables		
Altrad Motherwell Bridge Limited	24	-
Altrad Support Services Limited	297	-
Altrad Services Limited	13	4,737
Altrad Engineering Services Limited	121	-
Altrad York Linings Limited	10	-
Total payables	464	4,737

Income and Costs from parent group entities

	2022 £000	2021 £000
Income		
Altrad Services Limited	145	13
Total Income	145	13
Costs		
Altrad Motherwell Bridge Limited	2,008	-
Altrad Support Services Limited	2,770	1,170
Altrad Services Limited	3,525	9,837
Altrad Engineering Services Limited	121	76
Altrad York Linings Limited	33	379
Total Costs	8,456	11,461

All transactions related to engineering services provided

28.4. Pre-Sale transactions

In preparation for the sale of the Company to the Altrad Group a number of transactions occurred during the year as follows:

- The Sale of Doosan Lentjes GmbH to DPSSA.
- The transfer of the responsibility for the defined benefit pension scheme.
- The settlement of all intercompany balances with the old Parent Group, however due to the partially unlawful dividend, £48.7m of intercompany receivables from former parent DPSSA remain outstanding

Notes to the financial statements (continued)

For the year ended 31 December 2022

28. Related party transaction (continued)

28.5. Joint Operations

The Company participates in two arrangements, described below, which it regards as joint operations because in each case (a) there is no separate legal entity through which the business of the arrangement is conducted, and (b) the Company has concluded on the basis of the governance and financial terms of the arrangement that it has joint control with the other partners.

The Company is one of three partners with equal one-third interests in an arrangement known as ADAPT, under which the partners collaborate to provide services under the Decommissioning Delivery Partner framework to a customer in the nuclear energy sector. ADAPT's principal place of business is in the UK.

The Company is one of three partners with equal one-third interests in an arrangement known as KAD, under which the partners collaborate to provide services under the Nuclear Technical Support Provider framework to a public sector customer. KAD's principal place of business is in the UK.

29. Subsequent events

The Altrad Group has begun a process of transformation and integration of the Babcock business into the Altrad Group.

This has resulted in restructuring of the business and a series of redundancies which have begun and will continue through 2023 and into the next year. The changes are resulting in considerable cost savings which will enhance the profitability of the company going forward.

30. Ultimate parent company and controlling party

The company is a subsidiary undertaking of Altrad UK Limited and hence part of the Altrad Group. The ultimate parent Company is Altrad Investment Authority SAS, a company incorporated in France.

The largest and smallest group for which group financial statements are prepared is the Altrad Investment Authority SAS. Copies of the financial statements are available to the public and can be obtained from the company secretary at 16, Avenue de la Gardie, 34510 Florensac, France

Prior to the sale of the Company to the Altrad Group on 25th September 2022, the Company was a subsidiary undertaking of Doosan Corporation Co., Ltd registered in the Republic of Korea which the Directors consider to be the Company's ultimate parent company. This was the largest group in which the results of the Company are consolidated. The smallest such group was that headed by Doosan Power Systems S.A., which is registered in Luxembourg, Doosan Power Systems S.A. is the immediate Parent of the Company.

The consolidated financial statements of Doosan Corporation Co., Ltd are available to the public and may be obtained from Euljiro 6-ga, Jung-gu, Seoul, the Republic of Korea, 100-730.

Appendix

For the year ended 31 December 2022

The Company references Key Performance Indicators (“KPIs”) when evaluating the Company’s reported financial performance and cash flows that are not defined or specific under International Financial Reporting Standards (“IFRS”). The Company considers that these KPIs, which are not a substitute for or superior to IFRS measures, provide stakeholders, with additional useful information by defining new measures to aid the understanding of the Company’s financial performance, financial position and cash flows.

Following transition to the Altrad Group the KPIs have changed to align to those of the Altrad business. Order Intake is not a KPI effective from 25 September 2022 and Operating profit has been replaced with EBITDA effective from 25 September 2022. Cash flow is also a key KPI under the Altrad Group. All of these are listed below

KPI	Description	Closest IFRS Measure	Adjustments required to reconcile to closest IFRS Measure	Rationale for adjustments
Order Intake	Measures value of new contracts won This is a Doosan measure which will not be considered going forward	No equivalent	Calculated as the sum of contract value of all new contracts won during the year. The revenue for these contracts will then be recognised over subsequent periods as the work relating to them is completed.	This is the key measure for winning new work which ultimately drives the revenue and profitability of the business in future periods.
Adjusted Operating Profit / Loss	Measures total earnings from business operations	Operating Profit / Loss	This profitability measure does not include Expected Credit Loss Expenses, Impairment charges or Gains/Losses on Disposal for Intangible Assets, Investments, and Property, Plant and Equipment, Pension Costs, or items included within Other Expenses/Income.	Adjusted Operating Profit / Loss is the principal measure of earnings that is used to monitor financial performance, as it provides an effective measure of the underlying performance of the business in the current year.
EBITDA	Measure of earnings from business operations, with depreciation and amortisation cost added back	Operating Profit	As operating profit above, with all depreciation and amortisation charged added back	Operating profit or EBIT is a key measure of the underlying performance of the business. Depreciation/Amortisation is seen as a fixed cost not affected by business performance and so this cost is added back

Reconciliation of Adjusted Operating (loss) / Profit KPI and EBITDA to Statutory Income statement

	2022 £000	2021 £000
Operating Loss as per Income Statement	(76,140)	(194,453)
Expected Credit losses on receivables and contract assets	1,637	2,154
(Reversal of Impairment) / Impairment of Investment property	-	(1,429)
Impairment of Fixed Asset investments	-	93,018
Impairment of Intercompany Loan	11,538	105,341
Impairment of loan receivable from former parent company	48,706	-
Expenses relating to Industrial disease claims	2,022	1,346
Profit on disposal of property, plant and equipment	16	(1,776)
Profit on Surrender of Leases	(137)	-
IAS 19 Pension Costs	1,343	2,590
Loss on settlement of Pension Scheme	10,545	-
Other expenses / (income)	10	(3)
Impairment of intangible assets	-	326
Adjusted Operating (loss) / Profit / EBIT KPI	(460)	7,114
Depreciation	495	548
Amortisation	352	182
EBITDA	387	7,844

Appendix (continued)

For the year ended 31 December 2022

Non-Financial Key Performance Indicators

The non-financial key performance indicators, as shown in the Strategic report are:

Non-financial key performance indicator	Target	2022	2021
1. Reportable lost time accidents	0	1	1
2. Accident injury frequency rate (per 100,000 hours worked)	0.00	0.01	0.02
3. Recordable injury frequency rate (per 200,000 hours worked)	0.00	0.12	0.13
4. Health and safety regulatory breaches	None	None	None
5. Environmental issues and compliance with regulator licence	None	None	None
6. 'Achilles' score – independent assessment of supplier credentials for quality, health, safety and environment	100%	100%	100%

These are defined as follows:

1. The number of accidents that were reported to the regulator – such as The Health and Safety Executive or the Local Authority.
2. The number of accidents occurring per 100,000 hours work, as per the criteria in point 1
3. The number of injuries which required treatment beyond which a first aider was able to provide, per 200,000 hours worked
4. The number of times that breaches to UK Health and Safety laws were observed
5. The number of breaches of environmental legislation or environmental terms of licences and permits that are held by the Company.
6. The Achilles score is a measure by an external organisation of the extent to which the Company follows UK regulations in its Safety, Health, Environment and Quality management systems