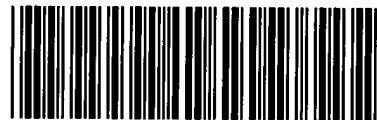


Altrad Babcock Limited
(formerly Doosan Babcock Limited)

Annual report and financial statements for the year ended 31 December 2021

Reg no. 00839354

MONDAY



ABXQK5CX

A10

20/02/2023

#93

COMPANIES HOUSE

Contents

	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	9
Directors' responsibilities statement	15
Independent auditors' report	16
Income statement	19
Statement of comprehensive income	20
Statement of financial position	21
Statement of changes in equity	22
Cash flow statement	23
Notes to the financial statements	24

Officers and professional advisers

Directors

Andrew Adam Colquhoun
Padraig Somers
John Walsh
Cameron Gilmour

Company secretary

Mark Sunley

Registered number

00839354

Registered office

Building 2
Field Ends Business Park
Thurnscoe
Goldthorpe
Rotherham
S63 0JF
England

Independent auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF
United Kingdom

Strategic report

For the year ended 31 December 2021

The Directors present their strategic report on Altrad Babcock Limited (the 'Company') for the year ended 31 December 2021.

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 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.

During the year the indirectly held subsidiary Doosan Power systems Europe was merged with its subsidiary Doosan Lentjes GmbH. This was then transferred up to be directly held by the Company in preparation to ultimately be transferred up to then parent company DPSSA. This was done in readiness for the sale of the Doosan Babcock Group to Altrad UK Ltd which occurred on 25th September 2022.

Order intake for the Company decreased by 19.7% to £327.1m (2020: £407.3m) due to 2020 being exceptionally high from long term orders booked with SIXEP. There was a 11.8% increase in revenues to £288.0m (2020: £257.7m) mainly due to the benefit of the SIXEP order intake from 2020. Order intake is a key performance indicator used by the Company in evaluating financial performance and is defined in the Appendix to the financial statements at the end of this document.

Adjusted operating profit (defined in the Appendix to the financial statements at the end of this document) increased from £2.2m to £7.1m, reflecting improved margins now that there are no further expenses on legacy loss making projects like Tees Rep and Lynemouth.

The reported operating loss of £170.4m (2020: £5.3m) was significantly worse this year and impacted by a number of one off items including the impairment of intercompany loans receivable from subsidiaries of £81.8m (2020: £nil) due to a reduction in value in use of the subsidiaries holding the other side of the loan (see note 14) and impairment in the investment held in a subsidiary of £93.0m due to subsidiary being transferred up to the Company for less than carrying value (see note 11). There was also increase of expected credit losses on receivables and contract assets of £2.2m (2020: £1.6m loss), reversal of impairment of Investment property of £1.4m (2020: £1.4m loss) and IAS 19 pension scheme expenses up slightly to £2.6m (2020: £2.4m).

Net finance income reduced to £0.5m (2020: £10.8m) due to lower intercompany loan interest received and higher exchange losses of £5.0m (2020 £0.3m).

These factors resulted in a loss before tax of £170.4m (2020: £5.5m).

Year-end position

The Company's year-end cash position was a net overdraft at 31 December 2021 of £0.6m (2020: £8.1m) and net assets were £262.4m (2020: £416.5m). The cash position has improved through the sale and leaseback of the Tipton site £6.5m and the part repayment of a loan from parent company Doosan Power Systems SA £6.5m.

Financial key performance indicators

The Directors consider that the following key performance indicators are the most effective measures of the performance of the business. These measures are reviewed each month by senior management.

Key financial performance indicators and 2021 performance:

Key performance indicator	2021	2020
Order intake (£m)	327.1	407.3
Revenue (£m)	288.0	257.7
Adjusted operating profit (£m)	7.1	2.2

Strategic report (continued)

For the year ended 31 December 2021

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.

Key non-financial performance indicators and 2021 performances:

Non-financial key performance indicator	Target	2021	2020
Reportable lost time accidents	0	1	1
Accident injury frequency rate (per 100,000 hours worked)	0.00	0.02	0.03
Recordable injury frequency rate (per 200,000 hours worked)	0.00	0.13	0.27
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%	98%

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. 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 effect on the business of Covid-19 is noted below under Principal risks and uncertainties.

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 £740m in the Nuclear business and £62m in the Process business providing certain turnover and associated margin into 2022 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 business. It is expected to continue with the strategy above, but there will be changes to the structure of the business as Babcock is integrated into the Altrad Group.

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 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 customers 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 US Dollars, Euros and HK Dollars. These hedges are made primarily 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 now 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 thus 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 time and seeking both product and geographical expansion to mitigate the impact of investment decisions.

Strategic report (continued)

For the year ended 31 December 2021

Brexit

To date, the Company has not suffered an adverse impact from Brexit. The directors continue to monitor the potential future impact of Brexit in their management of the financial and commercial risk of the Company and are managing their risk accordingly. The Company has secured financing arrangements with investors and a strong order book to mitigate against any economic headwinds caused by Brexit. The majority of the work in the UK-based Babcock part of the business is in the UK and is undertaken by UK based employees. As such, the risk from reduced labour movement is seen as low due to the limited need for the business to operate across European borders.

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 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 has taken a number of actions over the previous years including closing the defined benefit scheme to new entrants, future accruals, and increasing contributions. There is an investment sub-committee jointly appointed by the Company and the Pension Trustees in addition to the financial advisers appointed by the Trustees who aim to optimise the performance of the scheme's assets.

Covid-19 Virus

Upon the development of the Covid-19 situation the business took steps to mitigate the risks of the virus, considering the different scenarios which could occur and measures that would be required to keep the business running in those scenarios and our people safe. This has involved consultation with customers, employees and suppliers so that we can all work together to best mitigate risks. As a result of this, the business has measures in place which have ensured its survival through the crisis and into the future. It still holds regular meetings and reviews to ensure that this continues to be the case in the face of an ever-evolving situation. After a brief downturn during the initial lockdown, the ongoing effect of Covid-19 has been limited from an operational point of view, with operational activity being broadly in line with levels observed prior to the initial outbreak of Covid-19 in the Company's main operational jurisdictions (Europe and the Middle East). By the end of 2021 business was effectively back to normal and stronger than it had been before the pandemic began.

Due to the critical infrastructure work the Company undertakes, primarily in the energy, pharmaceutical and oil and gas sectors, the level of impact on business caused by Covid-19 was greatly reduced. The majority of our workforce in these areas were identified as critical workers.

The key risks to the business from Covid-19 are its ability to continue with projects if workers cannot access sites safely during lockdown and the risk of postponement of projects if customers are unable to fund projects at this time. At this stage of the pandemic these risks are seen as very minimal to the business. The situation, and resultant impacts, of Covid-19 has undergone many developments during the pandemic and ultimately has resulted only in delay rather than cancelling of work, as can be seen by the increase in Turnover now observed. To mitigate the short-term reduction in turnover, the business implemented the furlough of some staff, pay reductions and the deferral of payments such as UK VAT. During the year £2.1m (2020: £6.4m) of benefit was received under the Coronavirus Job Retention Scheme ('Furlough benefit') and in 2020 £6.3m of VAT was deferred to 2021, this was net against administrative expenses in the Income statement. This deferral has now been settled. These measures were completed by the end of 2021 and, aside from office-based employees working from home, the business largely returned to normal in 2021. In 2022 there has been a return to office based working.

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 2021

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, customers 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 won't always be possible to deliver everyone's desired outcome.

Decision making

The Company is led by an Executive Leadership Team, comprising of the CEO, CFO and Executive Directors who provide strategic and operational leadership for the Company. This is underpinned by a robust corporate governance policy which covers all aspects of business operation and the required decision-making process and procedures for compliance.

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 1 to 5 years.

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 customer insights in order to assist business planning. In addition to this, a programme of Executive level engagement with respective customer 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 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 2021

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

Our key stakeholders

Customers

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

Ensuring Customers and 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 customer relationships and understanding and meeting customer needs. Through its customers the Company generates and maintains a reputation that will extend across its markets and assist in the growth of the business.

Key customers 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 customer structure and mapping these to the organisation. Customer 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 customers is a continual process that will occur during scope development, project delivery and after project close out. This helps to ensure that the customers' 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 customers 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 customers deem most important to their businesses. At the start of the Covid-19 pandemic, directors wrote to many customers explaining what actions the company is taking to minimise disruption to the business and to support our employees, communities and customers. 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 customers' needs and requirements. continue to develop the services of the business in order to meet the needs of its clients. The branch offices near to some of the primary work locations, along with fabrication facilities in Grangemouth 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 have recognised the change in energy targets which were further clarified during COP26 and the Company is working in partnership with an 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 2021

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 2021 has reduced both in absolute terms achieving 60% and relative to turnover terms achieving 46%. The board have now set a new target for the company to have net zero carbon emissions 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 evolve the business portfolio to support the overall climate transition in the energy sector. In 2021, the Board of Directors plan to place additional focus on both these areas as the climate agenda becomes increasingly important with key events such as COP26 in the pipeline.

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 2021 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. During 2021 the year the Board held, on a monthly basis, a business review meeting with Doosan Enerbility Corporation (the parent shareholder) and held open discussion for the major decisions making, in line with the Governance Policy. On 25th 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 directors is so important, the consent form 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 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 not only the CoVid pandemic challenges, but broader 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 2021

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

- Continual development of the intranet sighting 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.
- For 2021 the online Annual Excellence Awards ceremony recognising and celebrating the contribution of our employees towards the business goals and success under seven separate categories
- 'MyThanks' scheme to show recognition for employees who go above and beyond their day-to-day role

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.

During 2021 the primary aspect that engaged our employees in all workgroups and employee recognition groups, (i.e. Trade Union Representatives), was unsurprisingly the continuing Covid-19 pandemic. The continuing challenges of the pandemic varied on individual employees, be this from a personal, family or work perspective. There continued to be varying levels of uncertainty, which was understandable and it was the Board's and Leadership's responsibility to guide and provide as much reassurance and direction as possible for our employees during evolution of the pandemic. Our engagement with our employees on an on-going basis was particularly vital, particularly where employees were working from home. It could have been easy for employees to lose focus on operational delivery, however though clear engagement on health, safety and wellbeing direction and establishing various support programs, we gave employees the re-assurance they needed to help them through the on-going challenges of the pandemic.

Employees and the company throughout 2021 had learned to start to "living and working" with Covid-19 in a safe and considerate way. The company recognised that the implications for health, safety and wellbeing of individuals would continue for some time and maintained our strong risk management approach to the virus. Many of our site-based employees had continued to work on client establishments, which were often critical infrastructure projects in a safe way, managing Covid risks on a daily basis. For much of the early stage of the pandemic and early to mid-2021, many office-based employees worked from home. The Board made a key decision to develop our plan for "living with Covid", as there was no clear determination of an end to the virus. Through the Company's CV-19 Task Force Team and the Executive Command & Control Group, the Company developed a risk assessed, controlled and phased plan to allow the return of our employee to our Company controlled locations. The priority for the Board was to ensure that clear Health & Safety measures were maintained, controlled and communicated to ensure that our employees' confidence, on returning to a workplace environment, was at a high level.

The Company's established Mental Health programs and support routes which the board had put in place were increased and enhanced during 2021, with the significant step of developing and providing our own in-house trained Wellbeing & Mindfulness practitioners, who provide access to a voluntary program of mindfulness practices to support employees and their wellbeing.

The Board recognises that the period through the pandemic is unprecedented and has brought challenges to employees and their families that were not foreseen by anyone in society. Through our continued open approach of listening and facilitating support to employees through 2021, the board have been able to ensure this has been a key element of the business success and further progress towards recovery from Covid19; ensuring our employees are well informed helps individuals work toward their and their teams' goals, whilst providing motivation and insight to current business performance and future direction.

Approved by the board of directors and signed on behalf of the directors on 16 February 2023.



John Walsh
Director
Registered Office: -
Building 2
Fields End Business Park
Thurnscoe
Goldthorpe
Rotherham
S63 0JF
England
Registered in England No. 00839354

Directors' report

For the year ended 31 December 2021

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 2021. 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 regard are provided in the Strategic report.

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 business. Further details of this can be found in note 29 of the accounts. On the 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.

Results and dividends

The net profit/loss after taxation was net loss £174.0m (2020: net profit £5.3m). For the year ended 31 December 2021 no dividends were declared. (2020 : £Nil)

The Company's net assets at 31 December 2021 are £262.4m (2020: £416.5m).

Directors

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

Andrew Colquhoun

Cameron Gilmour

Suk Joo Kang Resigned 25 September 2022

Hongook Park Resigned 25 September 2022

Padraig Somers Appointed 25 September 2022

John Walsh Appointed 25 September 2022

Research and development

The Company is engaged in high technology markets and recognises the need for the continued improvement and development of its products relative to market requirements. During 2020 the R&D operations were restructured to a smaller team focussing more on areas of development specifically relevant to the business.

As a result total expenditure for research and development for the year reduced to £1.3m (2020: £2.0m) of which £nil (2020: £0.3m) was not funded by a third party and the remaining £1.3m (2020: £1.7m) was funded, primarily by the Company's former parent.

There was no development expenditure capitalised during the year (2020: £Nil).

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' report (continued)

For the year ended 31 December 2021

Directors' Indemnities

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

Going concern

The Company has carefully analysed its cash requirements for the next 12 months from the date of signing of the balance sheet.

The Company's business activities are associated with providing high value-added energy services, innovative technology led business solutions and new build power plant 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.

Order intake for the Company decreased by 19.7% to £327.1m (2020: £407.3m) due to 2020 being exceptionally high from long term orders booked with SIXEP. There was a 11.8% increase in revenues to £288.0m (2020: £257.7m) mainly due to the benefit of the SIXEP order intake from 2020. Order intake is a key performance indicator used by the Company in evaluating financial performance and is defined in the Appendix to the financial statements at the end of this document.

Adjusted operating profit (defined in the Appendix to the financial statements at the end of this document) increased from £2.2m to £7.1m, reflecting improved margins now that there are no further expenses on legacy loss making projects like Tees Rep and Lynemouth.

Overall, expenses increased in 2021, with increase of expected credit losses on receivables and contract assets £2.2m (2020: £1.6m loss) reversal of impairment of investment property of £1.4m (2020: £1.4m impairment) and IAS 19 pension scheme expenses up slightly to £2.6m (2020: £2.4m). There was also an impairment of two intercompany loans receivable from subsidiaries of £81.8m (2020: £nil) and impairment in the investment held in a subsidiary of £93.0m. Net finance income reduced to £0.5m (2020: £10.8m) due to lower intercompany loan interest received and higher exchange losses of £5.0m (2020 £0.3m).

These factors resulted in a loss before tax of £170.4m (2020: £5.5m).

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 many 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 and supplier costs, especially on key contracts. Reflecting this situation where a position is particularly volatile, the Company will seek to agree appropriate escalation formulae or cost-plus agreements with customers to help mitigate this. The other significant trading uncertainty is the timing of major new build projects. Particularly in western markets we are currently seeing delays over when projects will be released due to investment and environmental issues. The Company addresses this by having a portfolio of large projects being bid at any time, additionally, we are protected by the balance of our business with both service and projects workload.

In addition, note 12 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Company's base forecasts show that it will maintain liquidity through the period to 31 March 2024. As part of their assessment, management have considered severe but plausible downside scenarios in stress tests applied to the forecasts, including a reduction in revenue reflecting possible lower productivity and failure to win new work. In these stress tests, a 10% reduction in revenue below forecast reduces liquidity headroom to a low level by 31 March 2024. In the assessment period, the Company is reliant upon funding from its parent, Altrad Investment Authority S.A.S. ("AIA") continuing to be available.

In view of the sensitivity of the Company's forecasts to plausible reductions in revenue, management have determined that the Company requires the support of AIA to provide assurance as to its ability to continue as a going concern. The Directors have therefore obtained a letter from AIA confirming that it intends and has the ability to provide such financial support to the Company as is necessary in order to assist it in meeting its liabilities as they fall due, until 31 March 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 2021

Streamlined Energy and Carbon Reporting 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. The carbon emissions quantification and reporting system used is verified annually by Lloyds Register to ISO14064 and the most recent assessment (Verification Statement below) shows that the Company has surpassed its initial target and achieved a reduction of 56% in absolute terms and 45% relative to turnover. The board have now set a new target for the company to have net zero carbon emissions by 2040 which shall be achieved by the implementation of our Sustainability Plan. The Company footprint is measured and is reported through an annual report which is included in these accounts.

The steps taken to achieve these energy savings within the reporting period include installation of LED lighting across three of the Company's main facilities, installation and improvement of building management systems, roll out of a travel policy and increased provision and use of Skype/video conferencing, mothballing of the Renfrew combustion test facility, the purchase and use of more efficient compressors and the roll out of an "Energy Superheroes" campaign.

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 2020 to 31 March 2021.

UK Energy Type Conversion to kWh

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	48.70%	47.50%
Natural Gas (kWh)	931	-	-	-	-	5,065,838	24.74%	30.60%
Diesel (litres)	462	181,387	1,190	152,485	12	1,806,944	12.27%	10.91%
Petrol (litres)	50	22,968	1,357	16,925	12	206,148	1.32%	1.25%
Red Diesel (litres)	363	131,777	1,171	112,533	12	1,331,270	9.65%	8.04%
LPG (kg)	57	-	-	19,471	13	248,454	1.52%	1.50%
LPG (litres)	8	4,867	1,889	2,576	13	32,871	0.20%	0.20%
Acetylene (kg)	-	-	-	33	-	-	0.00%	0.00%
Refrigerant (kg)	60	-	-	-	-	-	1.60%	0.00%
Total	3,765	-	-	-	-	16,556,760	100.00%	100.00%

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

As a comparison, below is energy use data from the previous year 1 April 2019 to 31 March 2020.

Energy Type	TCO ₂ eq	Litres	litres/tonne*	kg	kWh/kg*	kWh	% of Total (TCO ₂ eq)	% of Total (kWh)
Electricity (kWh)	2,499	-	-	-	-	9,776,503	48.15	45.43
Natural Gas (kWh)	848	-	-	-	-	4,611,340	16.34	21.43
Diesel (litres)	962	370,865	1,190	311,651	13	3,933,037	18.54	18.28
Petrol (litres)	93	42,296	1,357	31,169	13	398,962	1.80	1.85
Red Diesel (litres)	631	228,628	1,171	195,241	13	2,456,136	12.15	11.41
LPG (kg)	64	-	-	21,791	14	298,324	1.23	1.39
LPG (litres)	9	6,140	1,929	3,183	14	43,573	0.18	0.20
Acetylene (kg)	0	Insignificant	-	33	-	-	0.00	-
Refrigerant (kg)	83	-	-	-	-	-	1.60	-
Total	5,189	-	-	-	-	21,517,876	100.00	100.00

* From DEFRA/DECC "Conversion Factors 2019 Full Set For Advanced Users" (Tab "Fuel Properties")

Directors' report (continued)

For the year ended 31 December 2021

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
TCO ₂ eq	13,952	11,976	12,014	11,393	10,084	8,818	6,198	5,189	3,765
Turnover	473,024	446,580	536,375	502,038	464,035	409,289	381,138	378,008	306,001
TCO ₂ eq/£m	29.50	26.82	22.40	22.69	21.73	21.54	16.26	13.73	12.30

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
TCO ₂ eq	16,668	14,030	14,881	14,434	13,610	11,668	8,885	7,333	5,807
Turnover	473,024	446,580	536,375	502,038	464,035	409,289	381,138	378,008	306,001
TCO ₂ eq/£m	35.24	31.42	27.74	28.75	29.33	28.51	23.31	19.40	18.98

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.

Electricity at some overseas offices is included in the rent and therefore estimates based on similar sized offices are used.

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.

Directors' report (continued)

For the year ended 31 December 2021

Statement of Corporate Governance arrangements

The Company has policies which cover key areas of Governance such as employees, customers, 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 2021 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.

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 customers 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 2021

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.

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 16 February 2023.



John Walsh
Director
Registered Office: -
Building 2
Fields End Business Park
Thurnscoe
Goldthorpe
Rotherham
England
S63 0JF
Registered in England No. 00839354

Directors' responsibilities

For the year ended 31 December 2021

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 2021

Opinion

We have audited the financial statements of Altrad Babcock Limited for the year ended 31 December 2021 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement 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 2021 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 related 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 central element of the company's assessment is a monthly cash flow forecast to 31 March 2024. The key considerations within this cash flow forecast are: the ability of the company to maintain liquidity in certain stress scenarios; and the reliance of the company on loan financing continuing to be available from the parent company Altrad Investment Authority S.A.S. ("AIA"). Management concluded that, in view of the sensitivity of the cash flow forecasts in the stress scenarios referred to above, the company requires the support of AIA. Accordingly, management have obtained a letter from AIA undertaking to provide financial support to the company in order to assist it with meeting its liabilities as they fall due until 31 March 2024.
- We tested the arithmetical accuracy of the company's cash flow forecast model.
- We discussed with management the sensitivities they applied in the stress scenarios and applied our own sensitivities to reflect a severe but plausible downturn in trading performance and to determine the likelihood of a reverse stress scenario.
- 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 March 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 is 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 they performed on the forecasts provided by AIA management. 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 considered the knowledge we obtained during our audit, and incorporated any other conditions that had not already been considered by management in their going concern assessment, as part of our other audit procedures.
- 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. As a result, additional information was included in the disclosures.

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 March 2024.

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.

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

For the year ended 31 December 2021

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 there is 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 2021

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

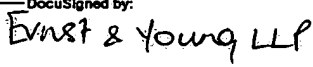
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not 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 Doosan group's code of conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations; correspondence with the United Kingdom tax authorities; and internal audit reports.
- 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 Doosan group during the financial year.
- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations identified above. We enquired about any instances of non-compliance at the parent undertaking of Altrad Babcock Limited, and discussed with the primary audit team the impact of any such non-compliance upon our audit. We engaged internal forensic 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 internal audit reports 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.

DocuSigned by:

5132150B7DC446A..

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

Income statement

For the year ended 31 December 2021

	Note	2021 £000	2020 £000 * Restated
Revenue	4	287,972	257,717
Cost of sales *		(260,784)	(236,438)
Gross profit *		27,188	21,279
Administrative expenses *		(20,074)	(19,070)
Adjusted Operating Profit **		7,114	2,209
Expected credit losses on receivables and Contract assets	14.2/26.3	(2,154)	(1,563)
Defined benefit pension scheme expenses	6.4	(2,590)	(2,387)
Impairment of intercompany loan receivable from subsidiary	14	(81,808)	-
Impairment of intangible assets	9	-	(21)
Reversal of impairment / (Impairment) of Investment property *	27	1,429	(1,429)
Impairment of Goodwill	9	(326)	-
Expenses relating to Industrial disease claims	17	(1,346)	-
Impairment of investments	11	(93,018)	-
Profit / (Loss) on disposal of property, plant and equipment	25.6	1,776	(139)
Other income / (expense)		3	(1,994)
Operating Loss		(170,920)	(5,324)
Finance income *	7	12,226	17,074
Finance costs *	7	(11,708)	(6,229)
(Loss) / Profit before tax		(170,402)	5,521
Taxation	8.1	(3,608)	(215)
(Loss) / Profit for the year		(174,010)	5,306

The notes on pages 24 – 69 form part of the financial statements.

All revenue and losses arose from continuing operations.

* Prior year administrative expenses have been reduced by £8.7m with a corresponding increase in cost of sales to correctly reflect unrecovered overhead costs relating to projects in cost of sales. Previously Finance income was shown net and has now been split out to show the gross finance income and expense. There has also been a reclassification of £465k from the impairment of right of use asset to depreciation in administrative expenses. The remaining £1,429k of impairment of right of use assets was reclassified as an impairment of Investment property.

** Adjusted operating 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 ended 31 December 2021

	Note	2021 £000	2020 £000
(Loss) / Profit for the year		(174,010)	5,306
Items that will not be reclassified subsequently to profit or loss:			
Actuarial movement in retirement obligations	6.4/ 8.3	21,868	(14,421)
Income tax relating to items not reclassified to the income statement	18 / 8.3	(1,935)	3,902
		19,933	(10,519)
Items that may be reclassified subsequently to profit or loss:			
Currency Translation differences		13	-
Total Other comprehensive income / (loss) for the year net of tax		19,946	(10,519)
Total comprehensive loss for the year		(154,064)	(5,213)

Statement of financial position

As at 31 December 2021

	Note	2021 £000	2020 £000
Non-current assets			* Restated
Intangible assets – goodwill	9	-	595
– Software	9	1,937	986
Property, plant and equipment	10	1,917	1,438
Investment properties *	27	4,371	4,221
Right of use assets *	25.1	19,374	22,007
Investments in subsidiaries	11/12	44,636	1,000
Deferred tax assets	18	24,196	28,491
Derivative financial instruments	12.2	6	7
Trade and other receivables	14	343,030	583,506
		439,467	642,251
Current assets			
Inventories	13	311	436
Trade and other receivables	14	70,143	56,877
Contract assets	12/26	16,254	35,608
Derivative financial instruments	12.2	88	107
Assets held for sale	10	-	2,492
Cash and cash equivalents	12/22	638	1,987
		87,434	97,507
Total assets		526,901	739,758
Current liabilities			
Trade and other payables	15	(82,207)	(73,939)
Contract liabilities	26	(7,838)	(7,237)
Borrowings	12/16	(103,524)	(135,816)
Derivative financial instruments	12.2	(14)	(26)
Provisions	17	(720)	-
Lease liabilities	12/25.2	(5,530)	(4,632)
		(199,883)	(221,650)
Net current liabilities		(112,399)	(124,143)
Non-current liabilities			
Deferred tax liabilities	18	(1,442)	(1,581)
Provisions	17	(9,183)	(8,388)
Lease liabilities	12/25.2	(23,272)	(23,764)
Retirement benefit obligations	6.4	(30,781)	(67,921)
		(64,678)	(101,654)
Total liabilities		(264,511)	(323,304)
Net assets		262,390	416,454
Equity			
Called up share capital	19	261,957	261,957
Other Reserves	21	57	1,476
Retained earnings	20	376	153,021
Total equity		262,390	416,454

* Prior year restated to reflect £4.2m Right of Use asset as Investment property, because the unoccupied portion of the Crawley office Right of Use asset had been leased out and hence should have been classified as an investment property

The notes on pages 24 – 69 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 16 February 2023.

Signed on behalf of the Board of Directors.



John Walsh, Director

Statement of changes in equity

For the year ended 31 December 2021

	Called up share capital £000	Translation Reserve £000	Revaluation reserve £000	Retained earnings £000	Total £000
At 1 January 2020	261,957	-	1,513	158,197	421,667
Profit for the year	-	-	-	5,306	5,306
Other comprehensive loss for the year	-	-	(37)	(10,482)	(10,519)
Total comprehensive loss for the year	-	-	(37)	(5,176)	(5,213)
At 1 January 2021	261,957	-	1,476	153,021	416,454
Loss for the year	-	-	-	(174,010)	(174,010)
Other comprehensive (loss) / income for the year	-	13	331	19,602	19,946
Total comprehensive loss for the year	-	13	331	(154,408)	(154,064)
Transfer to retained earnings	-	-	(1,763)	1,763	-
At 31 December 2021	261,957	13	44	376	262,390

Statement of cash flows

For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Cash flow generated from operations	22	9,457	18,823
Income tax (paid)/received		(1,021)	88
Net cash generated from operations		8,436	18,911
Cash flows from investing activities			
Interest received on leases		-	56
Cash received on principal portion of leases	25.5	-	921
Purchase of property, plant and equipment	10	(868)	(530)
Purchase of intangible assets	9	(872)	(618)
Disposal of property, plant and equipment	10	6,546	45
Loans to Joint ventures	14.1	(3,700)	-
Loans granted to other group companies		(3,358)	(10,069)
Repayments from parent companies	14.1	6,500	
Loans to parent company		-	(13,541)
Net cash generated from / (used in) investing activities		4,248	(23,736)
Cash flows from financing activities			
Interest paid		(2,591)	(3,581)
Payment of principal portion of finance leases	25.2	(2,377)	(4,082)
Loans granted by subsidiaries		-	13,541
Loans granted by other companies of the parent group		-	49,500
Loan repaid to companies in the parent group		-	(6,000)
Additional repayment of overdraft facility	16	(8,903)	(42,986)
Net cash (used in) / generated from financing activities		(13,871)	6,392
Net (decrease) / increase in cash and cash equivalents		(1,187)	1,567
Effects of exchange rate changes		(162)	153
Cash and cash equivalents at the beginning of the year		1,987	267
Cash and cash equivalents at the end of the year		638	1,987

Notes to the financial statements

For the year ended 31 December 2021

1. General information

Altrad Babcock Limited is a Company incorporated and domiciled in the England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. 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 SA a private owned company registered in France on 25th September 2022. The principal place of business of the Company is Porterfield Road, Renfrew, PA4 8DJ, Scotland.

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.

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 2021 the consolidated financial statements of Doosan Power Systems S.A. are equivalent to financial statements drawn up in accordance with relevant EU directives and therefore entitle the Company not to produce consolidated financial statements.

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.

There have been a number of instances where this has happened in these accounts, in the Income Statement, Statement of Financial position and notes 5.2, 7, 12.1, 22, 25 and 27. The key change that has resulted in these change is the reclassification of £4.2m of Right of Use asset to Investment property, reflecting the fact that the lease it relates to was available for sub let to a third party. Other differences related to reclassification of certain items on the Income statement.

2.2. Going concern

The Company's business activities are associated with providing high value-added energy services, innovative technology led business solutions and new build power plant 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.

Order intake for the Company decreased by 19.7% to £327.1m (2020: £407.3m) due to 2020 being exceptionally high from long term orders booked with SIXEP. There was a 11.8% increase in revenues to £288.0m (2020: £257.7m) mainly due to the benefit of the SIXEP order intake from 2020. Order intake is a key performance indicator used by the Company in evaluating financial performance and is defined in the Appendix to the financial statements at the end of this document.

Adjusted operating profit (defined in the Appendix to the financial statements at the end of this document) increased from £2.2m to £7.1m, reflecting improved margins now that there are no further expenses on legacy loss making projects like Tees Rep and Lynemouth.

Overall, expenses increased in 2021, with increase of expected credit losses on receivables and contract assets £2.2m (2020: £1.6m loss) reversal of impairment of investment property of £1.4m (2020: £1.4m impairment) and IAS 19 pension scheme expenses up slightly to £2.6m (2020: £2.4m). There was also an impairment of two intercompany loans receivable from subsidiaries of £81.8m (2020 : £nil) and impairment in the investment held in a subsidiary of £93.0m. Net finance income reduced to £0.5m (2020: £10.8m) due to lower intercompany loan interest received and higher exchange losses of £5.0m (2020 £0.3m).

These factors resulted in a loss before tax of £170.4m (2020: £5.5m).

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 many 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 and supplier costs, especially on key contracts. Reflecting this situation where a position is particularly volatile, the Company will seek to agree appropriate escalation formulae or cost-plus agreements with customers to help mitigate this. The other significant trading uncertainty is the timing of major new build projects. Particularly in western markets we are currently seeing delays over when projects will be released due to investment and environmental issues. The Company addresses this by having a portfolio of large projects being bid at any time, additionally, we are protected by the balance of our business with both service and projects workload.

Notes to the financial statements (continued)

For the year ended 31 December 2021

2. Accounting policies (continued)

2.2. Going concern (continued)

In addition, note 12 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

The Company's base forecasts show that it will maintain liquidity through the period to 31 March 2024. As part of their assessment, management have considered severe but plausible downside scenarios in stress tests applied to the forecasts, including a reduction in revenue reflecting possible lower productivity and failure to win new work. In these stress tests, a 10% reduction in revenue below forecast reduces liquidity headroom to a low level by 31 March 2024. In the assessment period, the Company is reliant upon funding from its parent, Altrad Investment Authority S.A.S. ("AIA") continuing to be available.

In view of the sensitivity of the Company's forecasts to plausible reductions in revenue, management have determined that the Company requires the support of AIA to provide assurance as to its ability to continue as a going concern. The Directors have therefore obtained a letter from AIA confirming that it intends and has the ability to provide such financial support to the Company as is necessary in order to assist it in meeting its liabilities as they fall due, until 31 March 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.

2.3. 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

For the year ended 31 December 2021

2. Accounting policies (continued)

2.4. 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.

2.5. 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:

Goodwill	nil (note 2.4)
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.

2.6. 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 2021

2. Accounting policies (continued)

2.6 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

2.7. 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.

2.8. 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.

2.9. 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.

2.10. 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

For the year ended 31 December 2021

2. Accounting policies (continued)

2.11. Revenue recognition

2.11.a. Principles

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer 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 customer. The Company provides warranties to customers 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 customers. 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'.

2.11.b. Construction contracts and related service 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 customer 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, or as an input to cost-plus, in determining revenue recognised.
- 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 customers with an alternative to pay in arrears. In addition, the length of time between when the customer pays and the Company transfers goods and services to the customer 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 customer are over a number of years after the Company has transferred goods and services to the customer; 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 customers are presented on a net basis.

2.11.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.

2.12. 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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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. Accounting policies (continued)

2.13. Pension costs

Defined benefit scheme

During 2021 the Company operated a pension scheme providing benefits based on final pensionable pay. 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.

On 25th 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.

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.

2.14. 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.

2.15. 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.

Notes to the financial statements

For the year ended 31 December 2021

2. Accounting policies (continued)

2.16. Financial instruments

2.16.a. Impairment

IFRS 9 requires the Company to record expected credit losses on 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 customers and bank balances.

2.16.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 customer 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.

2.16.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.

2.16.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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

2. Accounting policies (continued)

2.16. Financial instruments (continued)

2.16.d Financial liabilities (continued)

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 customers for contract work relate to advances received from customers on contracts which are in progress.

2.16.e. Foreign currencies

The financial statements of the Company are presented in Pounds Sterling which is Company's functional currency. In 2021, the Company established a new branch in France as a foreign operation. The new 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.

2.17. 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

For the year ended 31 December 2021

2. Accounting policies (continued)

2.18. 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.

2.18.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 2.6).

2.18.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.

2.18.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.

2.18.d. Company as lessor

The Company also acts as lessor on the building it occupies in Crawley. In this case it is a sublease and so it acts as both lessee and lessor and must apply IFRS 16 accounting in its capacity as lessor. To achieve this an asset to the value of the total lease receivable discounted at 4%, £1,873,000, was recognised on 1 January 2019 and the element of the head lease relating to this sublease £1,861,000 was deducted from the right of use asset, resulting in a gain of £12,000 arising from the difference between these two amounts. Rental income received on this lease is deducted against this asset whilst the interest receivable is added to it. By the end of 2020 this asset had all been received and at that time the sub leases had not been renewed. In 2021 the Company continued to act 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.

2.18.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 2021

2. Accounting policies (continued)

2.18.d Adoption of new and revised standards

The Company applied certain standards and amendments for the first time, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 4, IFRS 16, IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and has determined none will give rise to a material impact on the financial statements.

IFRS 17 Insurance Contracts, effective for reporting periods beginning on or after 1 January 2023, with comparative figures required.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current, effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Reference to the Conceptual Framework – Amendments to IFRS 3, effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16, effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IAS 41 Agriculture – Taxation in fair value measurements to be applied prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

Definition of Accounting Estimates - Amendments to IAS 8 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.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted.

The implementation of these new and amended standards and interpretations is not expected to have a material impact on the Company's financial statements.

Notes to the financial statements

For the year ended 31 December 2021

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 2021 charge to the income statement to different actuarial assumptions. At 31 December 2021 the defined benefit liability recognised on the Company's statement of financial position was £30,781k (2020: £67,921k). Effects of changes in the actuarial assumptions underlying the benefit obligation, discount rates and the differences between expected and actual returns on the scheme's assets are classified as actuarial gains and losses. During 2021 the Company recognised net actuarial gain of £21,868k (2020: £14,421k loss) in equity. A sensitivity analysis in respect of these is set out in note 6.4.

3.1.c. Long term provisions

Other provisions include an amount of £9,183k (2020: £8,387k) relating to potential claims 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

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

Investment in the Doosan Lentjes GmbH Subsidiary which was impaired from £136.6m to £44.6m reflected the known sale value of the investment in June 2022 which was transferred based on an independent valuation.

Investment in subsidiary Doosan Power System Overseas Investment Limited which was impaired from £1m to £Nil as the subsidiaries only assets would be expected to be used to repay an intercompany loan

Loan Receivable from Altrad Babcock Power Systems Overseas Investments Limited which was impaired from £68m to £6.7m to reflect the value in use of the only asset held by ABPSOIL its subsidiary Altrad Babcock Europe S.A. Loan Receivable from subsidiary Doosan Babcock General Maintenance Services LLC which was impaired from £38m to £17.9m based on value in use from future cash flows of this company.

The recoverable amount of the Investment property should be the higher of fair value less cost of disposal and value-in-use according to IAS36. Although the value-in-use is estimated as £Nil because the company does not have any expectation to sub-let in case of the sale to Altrad, the fair value less cost of disposal is estimated as higher than the carrying value. The fair value is assessed by discounting estimated rental incomes based on the market for the rest of lease term.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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 2.11 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

	2021 £000	2020 £000
United Kingdom	280,055	250,082
Korea	2,582	3,032
France	3,001	3,487
Other	2,334	1,116
	287,972	257,717

4.2. Revenue by Origin

	2021 £000	2020 £000
Revenue from construction contracts and related services	287,972	257,717

All revenue in the Company originates from the United Kingdom.

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.

Notes to the financial statements

For the year ended 31 December 2021

5. Operating Profit

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

	2021 £000	2020 £000 * Restated
Property, plant and equipment:		
Depreciation of owned assets	548	956
Right of use assets:		
Depreciation of leasehold assets	2,892	2,635
Investment Properties:		
Depreciation of leasehold assets	1,279	1,001
(Reversal of) Impairment of leasehold assets	(1,429)	1,429
Intangible assets:		
Amortisation of software	182	283
Impairment of goodwill	326	-
Trade and other receivables:		
Impairment of intercompany loan receivable from subsidiary	81,808	-
Investments in subsidiaries:		
Impairment of investments	93,018	-
Research and development:		
Revenue expenditure	1,328	1,945
Funding received to fund revenue expenditure	(1,328)	(1,665)
Restructuring costs	-	2,004

* Investment properties are newly disclosed due to the reclassification and the depreciation and impairment from ROUA was reclassified as depreciation and impairment from Investment Property.

5.2. Auditor's remuneration

	2021 £000	2020 £000 * Restated
Audit of these financial statements	700	217
Audit of company's subsidiaries, pursuant to legislation	-	8

* The comparative figure does not agree to the amount disclosed in the 2020 financial statements of £450,000, as this amount reflected the cost of the audit of the entire group of the parent company. The revised figure is an apportioned amount deemed to represent the cost of the Company element of the audit.

Notes to the financial statements (continued)

For the year ended 31 December 2021

6. Employees and directors

6.1. Employee numbers and staff costs

	2021	2020
Average monthly number of persons employed during the year (including directors employed):		
Production	2,173	2,166
Sales and administration	182	173
Research and development	-	52
	2,355	2,391

	2021 £000	2020 £000
Staff costs during the year (including directors employed):		
Wages and salaries	118,316	118,012
Social security costs	12,177	11,904
Other pension costs	22,754	12,984
	153,247	142,900

6.2. Pension disclosure

	2021 £000	2020 £000
UK GPP	3,092	1,851
UK Stakeholder	1,011	1,143

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

	2021 £000	2020 £000
Directors' emoluments:		
Current pay and benefits	713	524
Post-employment benefits	31	4
Social security costs	47	25
	791	553

The aggregate emoluments of the highest paid Director were £292,373 (2020: £291,946). There was no other remuneration, such as pension contribution or share options for the highest paid director. (2020 : Nil)

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

For the year ended 31 December 2021

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 £4,103k (2020: £2,994k) and the accrued unpaid pension contribution was £293k (2020: £205k).

The Company operates 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.

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 is 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 31 December 2021 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.

The major assumptions used by the actuary were:

	2021	2020
Financial assumptions:		
Discount rate	1.90%	1.25%
Rate of increase in pensionable salaries	N/A	N/A
RPI Min 3%, Max 5%	3.65%	3.30%
RPI Max 5%	3.35%	2.85%
RPI +2%, Max 5%	4.65%	4.10%
Price Inflation assumption (and increases to pension in deferment)	3.40%	2.90%
Demographic assumptions:		
Pre-retirement mortality (male/female)	105%/115% S3PMA/S3PFA, CMI 2020 +1.0% MI	105%/115% S3PMA/S3PFA, CMI 2019 +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 2019 +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 2019 +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.

Notes to the financial statements (continued)

For the year ended 31 December 2021

6. Employees and directors (continued)

6.4. Post-retirement benefits (continued)

The assets in the scheme were:

	2021		2020	
	%	£000	%	£000
<i>Diversified growth fund</i>				
SGIF Global Select Equity Fund	3.2%	14,826	5.2%	23,977
SGMF Dynamic Fund	7.5%	34,745	7.5%	34,812
<i>Bonds</i>				
SEI UK Property Fund	3.2%	15,002	3.6%	16,739
SGMF Liquid Hedged Fund	5.1%	23,709	4.5%	20,816
Return Fixed Income	42.1%	195,188	43.1%	199,649
Risk Management Fixed Income	38.7%	179,062	31.4%	145,165
<i>Cash</i>				
Trustee bank account	0.2%	756	0.4%	1,871
Share in SLP	0%	0	4.3%	19,829
Total market value of assets		463,288		462,858
Present value of liabilities		(494,069)		(530,779)
Deficit in scheme		(30,781)		(67,921)
Related deferred tax asset		6,820		12,904
Net pension liability		(23,961)		(55,017)

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

Sensitivity analysis

The inflation rate and discount rate are considered by the Directors to be the significant assumptions within the scheme, and as such, effects of changes to these have been disclosed below. A movement of +/- 100 bps on the discount rate and inflation assumptions reflects a realistic shift in market conditions over the short-term, whilst providing sufficient information about the sensitivity of the value of the Scheme's liabilities to these assumptions.

Effect on the deficit in the scheme of the following changes:	£m
1% increase in the discount rate	+79.1
1% decrease in the discount rate	-79.1
1% increase in the inflation rate	+39.5
1% decrease in the inflation rate	-39.5
Increase in Mortality of 1 year	+24.7
Decrease in mortality of 1 year	-19.8

Notes to the financial statements

For the year ended 31 December 2021

6. Employees and directors (continued)

6.4. Post-retirement benefits (continued)

Reconciliation of present value of plan liabilities and assets:

	2021 £000	2020 £000
Change in the present value of the defined benefit obligation:		
Opening defined benefit obligation	530,779	491,352
Interest cost	6,510	9,601
Changes in demographic assumptions	(785)	1
Actuarial (gains) / losses	(22,511)	56,303
Experience Gains	-	(3,920)
Benefits paid	(19,924)	(22,558)
Closing defined benefit obligation	494,069	530,779
Change in the fair value of plan assets:		
Opening fair value of plan assets	462,858	431,372
Interest income	5,721	8,478
Actuarial (losses) / gains	(1,428)	37,963
Contributions by employer	18,651	9,990
Benefits paid	(19,924)	(22,558)
Other expenses	(2,590)	(2,387)
Closing fair value of plan assets	463,288	462,858

	2021 £000	2020 £000
Net change in the present value of plan liabilities and assets:		
Opening deficit	67,921	59,980
Net interest expense	789	1,123
Net actuarial (gains) / losses	(21,868)	14,421
Contributions by employer	(18,651)	(9,990)
Administrative expenses	2,590	2,387
Closing deficit	30,781	67,921

The expected pension contribution for the defined benefit scheme in 2022 is £11,599k.

Analysis of other comprehensive income:

	2021 £000	2020 £000
Actual return (less) / greater than expected return on scheme assets	(1,428)	37,963
Changes in assumptions underlying the scheme liabilities	23,296	(52,384)
Net actuarial gains / (losses) recognised in the period	21,868	(14,421)
Deferred tax (charge) / credit	(2,266)	3,939
Actuarial gain / (loss) net of tax	19,602	(10,482)
Net cumulative actuarial losses after tax	(85,502)	(105,104)

Expense recognised in the income statement:

	2021 £000	2020 £000
Net interest expense	789	1,123
Defined benefit pension scheme expenses	2,590	2,387
Total	3,379	3,510

Notes to the financial statements (continued)

For the year ended 31 December 2021

7. Finance income and costs

	2021 £000	2020 £000
		*Restated
Interest receivable on loans to parent and subsidiary undertakings *	11,982	15,400
Foreign exchange gains	244	1,618
Lease interest income	-	56
Total finance income	12,226	17,074
Interest payable	(1,395)	(2,497)
Interest expense on loan from parent company *	(2,101)	(102)
Interest expense on loan from subsidiary undertakings *	(1,018)	(811)
Unwinding of discounting	(240)	(240)
Interest charged under leases	(1,128)	(1,144)
Foreign exchange losses	(5,037)	(312)
Net finance cost on defined benefit scheme	(789)	(1,123)
Total finance cost	(11,708)	(6,229)
Net Finance income	518	10,845

* Prior year has been re-stated to reflect elements of intercompany loan expense that had been net against interest receivable on loans to parent and subsidiary undertakings. Interest expense on loans from subsidiary undertakings of £811k and interest expense of £102k on loans from parent undertakings totalling £913k had previously been net against interest receivable on loans from parent and subsidiary undertakings.

8. Taxation

8.1. Taxation Charge

	2021 £000	2020 £000
Current tax:		
Current tax charge on profits for the year	553	303
Adjustments in respect of prior periods	468	-
Total current tax charge	1,021	303
Deferred tax:		
Origination and reversal of temporary differences	8,616	505
Change in Tax rate	(4,328)	(1,538)
Adjustment in respect of prior year	(85)	(465)
Withholding Tax	207	179
Deferred tax on pension charge	(1,823)	1,231
Total deferred tax charge / (credit) (Note 18)	2,587	(88)
Total tax charge	3,608	215

Notes to the financial statements

For the year ended 31 December 2021

8. Taxation (continued)

8.2. Factors affecting tax charge for the year

The current tax assessed for the period is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
(Loss) / Profit before tax	(170,402)	5,521
Tax on (loss) / profit before taxation at standard UK corporation tax rate of 19% (2020: 19%)	(32,376)	1,049
Tax effect of expenses that are not deductible in determining taxable profit	(561)	687
Tax losses not recognised	11,779	-
Rental expenses previously disallowed	(5,600)	-
Effect of increase in tax rate	(4,328)	(1,538)
Impairment of investment not taxable	17,673	-
Impairment of Intercompany loans not taxable	15,581	-
R&D Expenditure credit	-	15
Withholding taxes	760	555
Difference between rate applied and rate of deferred tax	297	(88)
Adjustment in respect of prior periods	383	(465)
Tax (credit) / charge for year	3,608	215

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

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% (2020: 19%).

The Finance Act 2020 amended the previous reduction in Corporation tax so that it remains at 19%, effective from 1 April 2020 and also 1 April 2021. This amendment was substantially enacted on 17 March 2020 and so the closing deferred tax balances (see note 18) as at 31 December 2021 have been calculated at 19% reflecting the tax rate at which the balances are expected to be utilised or reversed in future periods.

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 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
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 Income tax recognised in Other Comprehensive income	21,881	(1,935)	19,946
2020			
Relating to actuarial movement in retirement benefit obligations	(14,421)	3,939	(10,482)
Relating to revaluation of land	-	(37)	(37)
Total Income tax recognised in Other Comprehensive income	(14,421)	3,902	(10,519)

* 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 2021

9. Intangible assets

	Goodwill £000	Development expenditure £000	Software £000	Total
Cost				
At 1 January 2020	971	1,839	28,870	31,680
Additions	-	-	618	618
Write off *	-	-	(165)	(165)
At 1 January 2021	971	1,839	29,323	32,133
Foreign translation difference	-	-	(8)	(8)
Additions	-	-	872	872
At 31 December 2021	971	1,839	30,187	32,997
Amortisation				
At 1 January 2020	376	1,839	28,198	30,413
Amortisation during the year	-	-	283	283
Write off *	-	-	(144)	(144)
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 31 December 2021	971	1,839	28,250	31,060
Net book value at				
31 December 2020	595	-	986	1,581
31 December 2021	-	-	1,937	1,937

* This write off relates to software which had been developed, but which is no longer being used by the Company.

The charge for amortisation of intangible fixed assets is included within administrative expenses on the income statement.

** The Company tests goodwill annually for impairment or more frequently if there are indicators that the goodwill might be impaired. The goodwill relates to one CGU, relating to Nuclear decommissioning and the recoverable amount from this CGU is determined from value-in-use calculations. They are based on detailed business plans stretching over the next five years which are derived from expected on-going work from existing customers and new potential contracts when they are likely to be won. These projections are approved by the Board. The pre-tax discount rate used was 11.08% (2020: 8.84%) and the post-tax rate was 8.75% (2020: 8.75%).

The cash flows calculated for the impairment test have been discounted using the post-tax discount rates noted above calculated by applying updated market inputs to the capital asset pricing model. Cash flow projections beyond the five-year period have been extrapolated on the basis of a 2% growth rate (2020: 2%). Such a growth rate does not exceed the long-term average growth rate of the sector.

It was noted that the business had failed to meet its budget for the previous two years and the margins made were so low that the value in use calculated on that basis was much lower than the carrying value of the Goodwill. The carry amount of the CGU exceeded the recoverable amount, consequently Goodwill was impaired by £326k reducing it to zero

*** £269k of Goodwill was reclassified to Software to bring it in line with the underlying ledger. It has previously been erroneously included within the Goodwill balance.

Sensitivity analysis

Discount Rate	8.25%	9.25%
Change in valuation £	779	(678)
Growth rate	3%	1%
Change in valuation £	1,271	(943)

Notes to the financial statements

For the year ended 31 December 2021

10. Property Plant and Equipment

	Land £000	Buildings £000	Plant and equipment £000	Assets in the course of construction £000	Total £000
Cost					
At 1 January 2020	2,120	5,527	60,654	388	68,689
Additions	-	127	421	(18)	530
Disposals	-	(166)	(891)	-	(1,057)
Assets Held for Sale*	(2,060)	(2,318)	-	-	(4,378)
Reclassification	-	(816)	2,021	251	1,456
At 1 January 2021	60	2,354	62,205	621	65,240
Foreign exchange translation differences	-	-	(5)	(2)	(7)
Additions	-	141	692	35	868
Disposals	-	-	(1,178)	-	(1,178)
Assets Held for Sale*	-	503	-	-	503
At 31 December 2021	60	2,998	61,714	654	65,426
Depreciation					
At 1 January 2020	-	4,664	59,485	-	64,149
Charge for the period	-	73	883	-	956
Disposals	-	(105)	(768)	-	(873)
Assets held for Sale*	-	(1,886)	-	-	(1,886)
Reclassification	-	(559)	2,015	-	1,456
At 1 January 2021	-	2,187	61,615	-	63,802
Foreign exchange translation differences	-	-	(4)	-	(4)
Charge for the period	-	30	518	-	548
Disposals	-	-	(1,178)	-	(1,178)
Assets Held for Sale*	-	341	-	-	341
At 31 December 2021	-	2,558	60,951	-	63,509
Net book value at					
At 31 December 2020	60	167	590	621	1,438
At 31 December 2021	60	440	763	654	1,917

* 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 25.6

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 2021

11. Investments in subsidiaries

	Subsidiaries £000	Total £000
At 1 January 2020, 1 January 2021 and 31 December 2020	1,000	1,000
Additional investment in Subsidiary *	136,654	136,654
Impairment *	(93,018)	(93,018)
At 31 December 2020	44,636	44,636

* 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 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.

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%).	AD	Ittihad Complex, Mussafah, Sector M-15 PLOT No 41 Abu Dhabi, UAE
Altrad Babcock Energy Services (Overseas) Limited (formerly Doosan Babcock Energy Services (Overseas) Limited)	A	Building 2, Field Ends Business Park, Thurnscoe, Goldthorpe, Rotherham, England. S63 0JF
Altrad Babcock Germany GmbH (formerly Doosan Babcock Energy Germany GmbH)	A	Droßiger Weg 56, D-06188 Landsberg OT Hohenthurm, Germany
Doosan Lentjes GmbH *	A	Daniel Goldbach Str.19, Ratingen 4880, Germany
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 (formerly Doosan Power Systems Overseas Investments Limited)	B	Building 2, Field Ends Business Park, Thurnscoe, Goldthorpe, Rotherham, England. S63 0JF
Doosan Power Systems Pension Trustee Company Limited	C	Doosan House, Crawley Business Quarter, Manor Royal, Crawley, RH10 9AD, UK
Joint ventures:		
Doosan Babcock W.L.L (49%)	AE	Level 1, Brooq Building, Bin Mahmoud, Doha Qatar

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 Dormant company

D 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.

E The shareholding of this company is 49%, Altrad Babcock exercises joint control over it through holding 3-3 positions on the board, therefore it has been classified as a joint venture.

* On 2nd July 2021 the company acquired the share capital and hence ownership of Doosan Power Systems Europe GmbH from its subsidiary Doosan Power Systems Overseas Investment Limited for consideration of £1. Subsequent to this on 15th September 2021 Doosan Power Systems Europe GmbH was merged with its subsidiary Doosan Lentjes GmbH

Notes to the financial statements

For the year ended 31 December 2021

11. Investments in subsidiaries and associates (continued)

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 Energy Europe S.A. (formerly Doosan Babcock Energy Polska Sp. z o.o.) (98.90%)	1	A	Podmiejska 7, Rybnik, Poland
Other subsidiary undertakings:			
Doosan Lentjes Czech s.r.o. (formerly AE & E Lentjes Praha s.r.o.)	2	A	Sokolovská 668/136d, 18600 Praha 8, Czech Republic
Investments at fair value:			
HTC Pureenergy Inc. (7.35%)	1	B	002 2305 Victoria Avenue, Regina, Saskatchewan, S4P 0S7, Canada
Doosan Power Systems India Private Limited (0.5%)	1	A	DLF Square Building, DLF Phase 2, Gurgaon, Haryana, India

Notes on holdings

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

2 Indirectly held through Doosan Lentjes GmbH.

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 2.16.

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 2021 the capital structure of the Company consists of share capital, loans and retained earnings ultimately attributable to Doosan Enerbility Corporation, a company based and registered in the Republic of Korea. The ultimate company changed to Altrad Investment Authority SA on 25th September 2022.

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 2021

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
2021					
Financial assets					
Cash and cash equivalents	638	-	-	-	638
Trade receivables	36,637	-	-	-	36,637
Loans to Group Undertakings	360,901	-	-	-	360,901
Loans to joint ventures	5,724	-	-	-	5,724
Loss provision for impairment of receivables	(5,869)	-	-	-	(5,869)
Amounts Recoverable on contracts	16,254	-	-	-	16,254
Accrued income	5,367	-	-	-	5,367
Derivatives	-	-	-	94	94
Investments	-	-	44,636	-	44,636
Total	419,652	-	44,636	94	464,382
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)	(77,412)	-	-	(94,050)
Total	(58,710)	(132,327)	-	(14)	(191,051)
2020					
Financial assets					
Cash and cash equivalents	1,987	-	-	-	1,987
Trade and other receivables *	21,749	-	-	-	21,749
Loss provision for impairment of receivables	(5,229)	-	-	-	(5,229)
Loans to Group Undertakings *	598,672	-	-	-	598,672
Loans to Joint venture *	2,688	-	-	-	2,688
Amounts Recoverable on contracts	35,608	-	-	-	35,608
Other Receivables	5,877	-	-	-	5,877
Derivatives	-	-	-	114	114
Investments	-	-	1,000	-	1,000
Total	661,352	-	1,000	114	662,466
Financial Liabilities					
Trade and other payables **	(33,266)	-	-	-	(33,266)
Derivatives	-	-	-	(26)	(26)
Borrowings **	-	(35,066)	-	-	(35,066)
Leases	-	(28,396)	-	-	(28,396)
Amounts owed to Group Undertakings **	(15,567)	(100,751)	-	-	(116,318)
Total	(48,833)	(164,213)	-	(26)	(213,072)

*/** See notes on next page

Notes to the financial statements

For the year ended 31 December 2021

12. Financial instruments (continued)

12.1 Categories of financial instruments (continued)

* In the FY20 financial statements Note 12.1 Categories of Financial Instruments, Trade and other receivables were stated at £623.1m in total. Out of total amounts, £598.7m was subsequently reclassified into Loans to Group Undertakings and £2.6m into Loans to joint venture.

** In the FY20 financial statements Note 12.1 Categories of Financial Instruments, Borrowings were stated at £78.6m in total. Out of total amounts, £43.6m was subsequently reclassified into Amounts owed to Group Undertakings. Trade and other payables were stated at £48.3m in total. Out of total amounts, £15.6m was subsequently reclassified into Amounts owed to Group Undertakings.

In the opinion of the Directors, the carrying amount of financial assets and liabilities are a reasonable approximation of fair value.

Aside from derivatives and intercompany loans (see note 14), substantially all financial assets and liabilities of the Company are due within one year.

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
2021						
At fair value through profit or loss	88	6	94	(14)	-	(14)
Total	88	6	94	(14)	-	(14)
2020						
At fair value through profit or loss	107	7	114	(26)	-	(26)
Total	107	7	114	(26)	-	(26)

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

	2021 Receivable £000	2021 Payable £000	2021 Total £000	2020 Receivable £000	2020 Payable £000	2020 Total £000
Maturing within:						
One year	5,376	(5,302)	74	7,727	(7,646)	81
One to two years	157	(151)	6	278	(271)	7
Two to five years	-	-	-	-	-	-
Total	5,533	(5,453)	80	8,005	(7,917)	88

12.3. Maturity of Financial liabilities

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

	2021 Trade and Other Payables £000	2021 Lease Liabilities £000	2021 Borrowings £000	2021 Total £000	2020 Trade and Other Payables £000	2020 Lease Liabilities £000	2020 Borrowings £000	2020 Total £000
Maturing within:								
One year	59,760	5,583	107,203	172,546	48,833	4,722	71,017	124,572
One to two years	-	5,325	-	5,325	-	4,625	-	4,625
Two to five years	-	10,169	-	10,169	-	11,632	-	11,632
More than 5 years	-	12,140	-	12,140	-	12,668	-	12,668
Total	59,760	33,217	107,204	200,180	48,833	33,647	71,017	153,497

Notes to the financial statements (continued)

For the year ended 31 December 2021

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
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)
2020				
Financial assets – foreign currency contracts	-	114	-	114
Total assets measured at fair value	-	114	-	114
Financial liabilities – foreign currency contracts	-	(26)	-	(26)
Total liabilities measured at fair value	-	(26)	-	(26)

Notes to the financial statements

For the year ended 31 December 2021

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) Market risk

The primary market risk that the Company is exposed to arises in the defined benefit pension scheme. The Company is 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 has taken a number of actions over the previous years including increasing contributions and closing the defined benefit scheme to new entrants and to future accruals. There is an investment sub-committee jointly appointed by the Company and Pension Trustees in addition to the financial advisers appointed by the Trustees who aim to optimise the performance of the scheme's assets. Asset selection is undertaken to match the future liabilities of the scheme, a large proportion of the assets are held in fixed income investments, so that movements in asset and liabilities are correlated to mitigate market risk.

b) 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. Company policy is to maintain a fixed percentage of surplus cash on instant access bank accounts and money market funds in order to cover any unexpected shortfall in cash.

During 2021 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 as settled in full, along with additional working capital requirements and the pooling arrangement was ended.

c) Exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from exposure to various currencies, primarily to US Dollars, Euros and Hong Kong Dollars 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 customer 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 £5.6m (2020: £8.0m).

d) 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 customers 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 2021

12. Financial instruments (continued)

12.5. Financial risk factors (continued)

e) 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 customers, including outstanding receivables and committed transactions. The Company also has a policy of assessing the creditworthiness of potential customers 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 customer'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 customer for the largest customers, 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 customer 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.

f) Interest rate risk

Interest rate risk is currently considered to be low due to market conditions and as a result all interest is paid on a variable rate basis. This is constantly under review by Company Treasury and should the risk increase loans may be switched to a fixed rate basis.

Loans outstanding at the end of 2021 :

- Revolving credit facility with Standard Chartered Bank which was fully utilised with an amount of £25.0m at 31 December 2021 (2020: £25.0m). There are no hedges against the interest rate of SONIA + 3.45%.
- Loan until November 2022 from then parent company Doosan Enerbility Corporation and Construction Co. Ltd for £30.0m (2020: £28.6m). The interest charged is 4.6%.
- Loan until November 2022 from then parent company Doosan Enerbility Corporation and Construction Co. Ltd for £15.7m (2020: £15.0m). The interest charged is 4.6%.
- New loan from Doosan Lentjes GmbH for £31.7m (€37.8m). This Loan is a set off agreement arising from the merger of Doosan Power System Europe and Doosan Lentjes GmbH. This is for a period of 12 month and is expected to be renewed automatically on an annual basis. The interest rate on the loan is 12M EURIBOR rate +3%. At the start of the year the company had a series of loans payable to Lentjes to a value of £57.1m, offset by a receivable of £4.3m. There was also a loan receivable from Doosan Power systems Europe (DPSE) of £19.3m. When Lentjes and DPSE were merged in September 2021, the combined net payable of all of these loans (£33.5m at the start of the year) was all between the Company and Doosan Lentjes GmbH. Subsequent to this these loans were all cancelled and merged into this one loan payable. The loans were denominated in Euros and the weakening Euro over the year has reduced the value of the loans, whilst this reduction was partially offset by interest accrued in the period.

A 1% increase in interest rates would have resulted in an additional £567k (2020: £506k) of interest payable. A 1% reduction in interest rates would have resulted in a reduction in interest payable of £246k (2020: £506k). 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. All the loans are based on Libor and so are unlikely to be subject to large fluctuations in interest rates, therefore 1% is considered a reasonable movement on which to base the calculation.

Notes to the financial statements

For the year ended 31 December 2021

12. Financial instruments (continued)

12.6. Summary of financial Instruments in currencies

The below figures are all stated as GBP equivalents.

	GBP £000	CZK £000	USD £000	EUR £000	AED £000	Other £000	Total £000
2021							
Cash, cash equivalents and other financial assets	589	-	-	-	-	49	638
Financial derivatives	94	-	-	-	-	-	94
Trade and other receivables	331,172	-	-	72,222	10,253	-	413,647
Total	331,855	-	-	72,222	10,253	49	414,379
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	172,548	-	-	40,479	10,253	49	223,329
2020							
	* Restated				* Restated		
Cash, cash equivalents and other financial assets	(170)	11	531	1,295	-	320	1,987
Financial derivatives	114	-	-	-	-	-	114
Trade and other receivables *	620,586	-	3	2,536	27,003	3,360	653,488
Total	620,530	11	534	3,831	27,003	3,680	655,589
Financial derivatives	(26)	-	-	-	-	-	(26)
Trade and other payables	(44,557)	(35)	(738)	(4,777)	-	1,274	(48,833)
Leases	(28,396)	-	-	-	-	-	(28,396)
Borrowings	(135,531)	-	2	63	-	(350)	(135,816)
Total	(208,510)	(35)	(736)	(4,714)	-	924	(213,071)
Net total	412,020	(24)	(202)	(883)	27,003	4,604	442,518

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 £14.3m 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.

* There is a loan receivable from subsidiary Doosan Babcock General Maintenance Services LLC which is denominated in AED with a value of £27,003k and had been incorrectly classified as GBP in the previous year.

Notes to the financial statements (continued)

For the year ended 31 December 2021

12.7. Changes in liabilities arising from financing activities

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

* This offset arose from a loan from Lentjes GmbH being offset with a receivable from subsidiary Doosan Power Systems Europe when the two companies were merged during the year.

2020	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	24,940	(796)	-	830	-	-	24,974
Loans from companies in the Parent group	-	43,500	-	102	-	-	43,602
Loans from group undertakings	42,693	10,347	3,297	811	-	-	57,148
Bank Overdrafts	53,078	(43,922)	-	936	-	-	10,092
Total	120,711	10,804	1,622	2,679	-	-	135,816

Notes to the financial statements

For the year ended 31 December 2021

13. Inventory

	2021 £000	2020 £000
Raw materials and consumables	337	461
Work-in-Progress	12	13
Inventory allowance	(38)	(38)
Total inventory	311	436

14. Trade and other receivables

14.1. Trade and other receivables

	2021 £000	2020 £000
Current:		
Trade receivables	33,810	18,923
Expected credit loss for trade receivables	(622)	(1,181)
Amounts owed by joint ventures *	5,724	2,688
Amounts owed by group undertakings	15,450	13,942
Other taxes receivable	4,036	2,739
Other receivables **	4,679	11,980
Prepayments	1,699	1,883
Accrued income	5,367	5,903
Total receivables	70,143	56,877

* New Loan to Doosan Babcock WLL for £3.7m (QAR 18.7m). This loan is a working capital loan repayable in September 2022, the interest on this loan is 2.5% (CBQ rate) + 2.75%.

** Included in Other Receivables in 2020 was an amount of £8.4m which had been ring-fenced in finalisation of a project and was returned in full to the Company in April 2021.

	2021 £000	2020 £000
Non - Current:		
Trade receivables	2,826	2,825
Expected credit loss for trade receivables	(2,826)	(1,387)
Amounts owed by the parent company	328,513	467,761
Amounts owed by subsidiary undertakings	16,939	116,969
Expected credit loss for amounts owed by group companies	(2,422)	(2,662)
Total receivables	343,030	583,506

Notes to the financial statements (continued)

For the year ended 31 December 2021

14. Trade and other receivables (continued)

Included in non-current receivables are the following related party loans showing the initial principle amounts and terms of the loans. Management do not intend to collect these receivables in the next 12 months or in the normal cycle of business and so they have been classified as non-current.

Amounts owed by the then company's parent

- Loan to Doosan Power Systems SA for £256.3m (2020: £391.3m). This loan is for a period of 12 months from 5 December 2020 and will be renewed automatically for a further period of 12 months from the expiry date and any further expiry date thereof until either party gives at least 30 days written notice prior to such an expiry date to terminate this agreement. The interest rate on this loan is 12m LIBOR + 2%. During the year £136.7m of this loan was swapped for a single share in Doosan Lentjes GmbH whose value was subsequently impaired to £44,636k. There was also interest accrued of £8.1m and a repayment of £6.5m.
- Loan to Doosan Power Systems SA for £72.2m (€86.1m) (2020: £76.5m (€84.7m)) which is denominated in Euros. This loan is renewed automatically every year for a period of 12 months until either party gives at least 30 days written notice prior to such an expiry date to terminate this agreement. The interest rate on this loan is 6m EURIBOR + 2.5%.

Amounts owed by subsidiary undertakings

- Loan to Altrad Babcock Power Systems Overseas Investment (ABPSOIL) (formerly Doosan Power Systems Overseas Investment Ltd) for £67.8m (2020: £66.4m). This loan is renewed automatically every year for a period of 12 months until either party gives at least 30 days written notice prior to such an expiry date to terminate this agreement. The interest rate on this loan is 12m LIBOR + 2%. The value of this loan has been impaired to £6.5m in the 2021 accounts. This is because the only asset that ABPSOIL now holds with which to repay this loan is its subsidiary Altrad Babcock Europe S.A. (98.90%) (ABE), whose present value of the estimated operating cashflows has been calculated as £9m. ABE also has a short-term debt of £2.5m, which must be deducted from this amount to be distributed to Altrad Babcock Power Systems Overseas Investment Limited.
- Loan to Doosan Babcock General Maintenance Services LLC for £14.8m (AED 75.1m) (2020: £14.4m (AED 72.9m)). This loan is a working capital loan and it is renewed automatically on an annual base, the interest on this loan is 1m EIBOR + 2.75%.
- Loans to Doosan Babcock General Maintenance Services LLC for £2.9m (AED 14.6m) (2020: £2.8m (AED 14.2m)). This loan is a working capital loan repayable in March 2022, the interest on this loan is 1m EIBOR + 2.75%.
- Loans to Doosan Babcock General Maintenance Services LLC for £5.2m (AED 26.5m) (2020: £5.1m (AED 25.7m)). This loan is a working capital loan repayable in March 2022, the interest on this loan is 3m EIBOR + 2.75%.
- Loan to Doosan Babcock General Maintenance Services LLC for £1.9m (AED 9.4m) (2020: £1.3m (AED 6.6m)). This loan is an Invoice Purchase Agreement and it is repayable in March 2022, the interest on this loan is 1m EIBOR + 2.75%.
- Loans to Doosan Babcock General Maintenance Services LLC for £3.3m (AED 16.5m) (2020: £3.2m (AED 16m)). This loan is a working capital loan and it is repayable in December 2021 and is due to be formally renewed, the interest on this loan is 3m EIBOR + 2.75%.
- New Loan to Doosan Babcock General Maintenance Services LLC for £2.9m (AED 14.5m). This loan is a working capital loan repayable in December 2022, the interest on this loan is 3m EIBOR + 2.75%.

The above loans to Doosan Babcock General Maintenance Services LLC (DBGMS) along with a trading receivable of £7.6m have a combined value of £38.5m. This total receivable has been impaired to a value of £17.9m reflecting an assessment of the present value of operating cashflows from of DBGMS based on its 5-year business plan.

These receivables are classified as non-current as they are not expected to be repaid within the next 12 months.

14.2. Expected credit loss allowance for receivables

	2021 £000	2020 £000
Expected credit loss for trade receivables		
Balance as at 1 January	(2,568)	(1,874)
(Charged) / credited to the income statement:		
(Increase) / Decrease in expected credit loss	(1,144)	(694)
Unused amounts reversed	11	-
Applied	253	-
Balance at 31 December	(3,448)	(2,568)
Of which relates to:		
Trade receivables due <1 year	(622)	(1,181)
Trade receivables due >1 year	(2,826)	(1,387)
Balance at 31 December	(3,448)	(2,568)

Notes to the financial statements

For the year ended 31 December 2021

14. Trade and other receivables (continued)

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.

14.2. Expected credit loss allowance for receivables (continued)

	2021 £000	2020 £000
Expected credit loss for intercompany receivables		
Balance as at 1 January	(2,662)	(2,577)
Charged to the income statement:		
(Increase)/Decrease of provisions	240	(85)
Utilised provisions	-	-
Balance at 31 December	(2,422)	(2,662)

The expected credit loss for trade receivables is based on a review of financial circumstances of individual customers. 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
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	100.0%	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	-
2020				
Current	18,514	0.4%	67	18,447
Up to 3 months	1,108	0.5%	5	1,103
3 to 6 months	-	0%	1	(1)
6 to 12 months	-	0%	-	-
Over 12 months	2,126	117.4%	2,495	(369)
Total	21,748	11.8%	2,568	19,180
Due in <1 year	18,923	6.2%	1,181	17,742
Due in >1 year	2,825	49.1%	1,387	1,438

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 customers. 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 2021

15. Trade and other payables

	2021 £000	2020 £000
Trade payables	35,989	12,015
Amounts owed to group undertakings	16,639	15,567
Other payables including taxation and social security	23,501	24,178
Accruals	5,328	20,742
Deferred income	-	687
Subsidiaries called up share capital not paid	750	750
Total payables	82,207	73,939

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 56 days (2020: 57 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

	2021 £000	2020 £000
Current:		
Bank Loans	24,925	24,974
Loans from Companies in the Parent Group	45,669	43,602
Loans from subsidiary undertakings	31,741	57,148
Bank overdrafts	1,189	10,092
Total borrowings	103,524	135,816

Included in borrowings at 31 December 2021 are the following:

Bank Loans

- Revolving credit facility with Standard Chartered Bank which was fully utilised with an amount of £25.0m at 31 December 2021 (2020: £25.0m). There are no hedges against the interest rate of SONIA +3.45%, renegotiated from LIBOR. This loan is subject to renewal in September 2022.

Loans from Companies in the Parent Group

- Loan until November 2022 from then parent company Doosan Enerbility Corporation and Construction Co. Ltd for £30.0m (2020: £28.6m). The interest charged is 4.6%.
- Loan until December 2022 from then parent company Doosan Enerbility Corporation and Construction Co. Ltd for £15.7m (2020: £15.0m). The interest charged is 4.6%.

Loans from subsidiary undertakings

- New loan from Doosan Lentjes GmbH for £31.7m (€37.8m). This Loan is a set off agreement arising from the merger of Doosan Power System Europe and Doosan Lentjes GmbH. This is for a period of 12 month and is expected to be renewed automatically on an annual basis. The interest rate on the loan is 12M EURIBOR rate +3%. This loan forms the aggregate of all the previous loans payable and receivable from Doosan Lentjes GmbH and Doosan Power Systems Europe that existed the previous year as they were rolled up into one loan.

Notes to the financial statements

For the year ended 31 December 2021

17. Provisions

	Onerous leases £000	Other £000	Total non-current £000	Customer Claim £000	Total Current £000	TOTAL £000
Balance at 1 January 2020	166	9,344	9,510	-	-	9,510
Income statement charge	-	125	125	-	-	125
Unwinding of discounting	-	240	240	-	-	240
Applied in the year	(166)	(1,321)	(1,487)	-	-	(1,487)
Balance at 1 January 2021	-	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 31 December 2021	-	9,183	9,183	720	720	9,903

The onerous lease provision, which related to the difference between rental income and contracted expense in the Park House building over the remainder of the lease, has been released and replaced with an impairment to right of use assets relating to the same lease. See note 25.1

Other provisions relates to an amount of £9.2m (2020: £8.4m) relating 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 2.0%.

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 2020	3,253	(1,071)	10,196	-	9,358	1,037	22,773
(Charged) / credited to the income statement	(208)	(164)	(1,231)	-	1,707	(16)	88
Charged to other comprehensive income	-	-	3,939	-	-	(37)	3,902
Reclassification of R&D future tax benefit	-	-	-	-	-	147	147
At 31 December 2020	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
At 31 December 2020							
Deferred tax assets	3,045	-	12,904	-	11,065	1,477	28,491
Deferred tax liabilities	-	(1,235)	-	-	-	(346)	(1,581)
	3,045	(1,235)	12,904	-	11,065	1,131	26,910
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

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.

* The Deferred Tax asset has increased significantly, largely due to the deductions allowed for payments made into the defined benefit pension scheme, in the current year and a catch up from prior years, which had been previously disallowed. These deductions are all allowable for tax, but did not affect accounting profit, and as such the asset increased by £5,485k.

Notes to the financial statements (continued)

For the year ended 31 December 2021

18. Deferred tax (continued)

**The deferred tax asset not relating to the pension deficit of £27m is believed to be recoverable from the expected future profits of the Company. However an impairment of £11m has been made against the asset reflecting the long timescale over which the asset will be utilised and the associated risk that comes with this. The remaining amount of losses are believed to be recoverable as they can be offset against expected profits over the next 5 years based on the business plan. Losses observed in 2021 have been 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.

**** As a result of the above impairment, no deferred tax asset has been recognised in respect of tax losses amounting to £44m

19. Share capital

	2021 £000	2020 £000
Called up, allotted and fully paid		
Ordinary shares of £1	261,957	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.

20. Retained earnings

	£000
Balance at 1 January 2020	158,197
Profit for the year	5,306
Actuarial loss on post-employment obligations	(14,421)
Deferred tax credit thereon	3,939
Balance at 1 January 2021	153,021
Loss for the year	(174,010)
Transfer from Revaluation reserve	1,763
Actuarial gain on post-employment obligations	21,868
Deferred tax debit thereon	(2,266)
Balance at 31 December 2021	376

21. Other Reserves

	Translation £000	Revaluation £000	Total £000
Balance at 1 January 2020	-	1,513	1,513
Tax on Revaluation of Land from prior years	-	(37)	(37)
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 retained earnings	-	(1,763)	(1,763)
Balance at 31 December 2021	13	44	57

Notes to the financial statements

For the year ended 31 December 2021

22. Notes to the cash flow statement

	2021 £000	2020 £000
Cash used in operations comprises:		*Restated
Operating loss	(170,920)	(5,324)
Expected credit losses on receivables and Contract assets	2,154	1,563
IAS19 Pension costs	2,590	2,387
(Reversal of Impairment) / Impairment of Investment property *	(1,429)	1,429
Loss / (profit) on Disposal of Fixed assets	(1,776)	139
Impairment of investments	93,018	-
Impairment of Goodwill	326	-
Other expense / (income)	(3)	1,994
Expenses relating to industrial disease claims	1,346	-
Impairment of Intercompany loan	81,808	-
Impairment of Development expenditure	-	21
Adjusted Operating Profit	7,114	2,209
Payments made into defined benefit pension scheme	(18,651)	(9,989)
Amortisation of intangible assets	182	283
Depreciation of property, plant and equipment *	548	956
Depreciation of right of use asset *	2,892	2,635
Depreciation of investment property *	1,279	1,001
Fair value of forward exchange contracts	252	(60)
Operating cash flow before movements in working capital	(6,384)	(2,965)
(Increase) / Decrease in inventories	125	(96)
(Increase) / Decrease in receivables	7,126	23,625
Increase / (Decrease) in payables	8,590	(1,741)
Cash generated from operations	9,457	18,823
Cash and cash equivalents comprise:		
Cash and bank balances	638	1,987

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.

* The prior year was restated to split out £4,127k of depreciation of Property, Plant and equipment to £956k of depreciation of PPE, £2,635k of depreciation of ROUA and £536k of depreciation of Investment property. Furthermore, £465k of impairment of ROUA was reclassified to depreciation of Investment property.

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 accounts.

Notes to the financial statements (continued)

For the year ended 31 December 2021

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 * Restated	Motor Vehicles £000	Total £000 * Restated
Cost			
Balance at 1 January 2020	23,330	1,616	24,946
Additions	1,533	601	2,134
Disposals	(138)	(247)	(385)
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 31 December 2021	24,151	2,012	26,163
Depreciation			
Balance at 1 January 2020	2,013	424	2,437
Charge for period	2,181	454	2,635
Disposals	(138)	(246)	(384)
Impairment	-	-	-
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)
Impairment	-	-	-
Balance at 31 December 2021	5,786	1,003	6,789
Net book value at			
31 December 2020	20,669	1,338	22,007
31 December 2021	18,365	1,009	19,374

* A net right of use asset of £4.2m was reclassified from here into Investment Property (note 27) because the unoccupied portion of the Crawley property should have been classified as such in accordance with IAS40. All amounts reclassified can be seen in note 27.

** 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 of £1,480k was recognised at the same time.

Notes to the financial statements

For the year ended 31 December 2021

0. Leasing (continued)

25.2. Lease liabilities

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

	2021 £000	2020 £000
Balance at 1 January	28,396	30,604
Additions	4,113	2,134
Accretion of interest	1,128	1,088
Write off on termination of lease	(1,480)	(204)
Payments	(3,355)	(5,226)
Balance at 31 December	28,802	28,396
Current	5,530	4,632
Non-Current	23,272	23,764

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:

	2021 £000	2020 £000
Depreciation expense of right of use assets *	2,892	2,635
Depreciation expense of Investment property *	1,279	1,001
Impairment expense / (Reversal of impairment) of Investment property *	(1,429)	1,429
Interest expense on lease liabilities	1,128	1,144
Expense relating to leases of low-value assets (included in administrative expenses)	142	211
Total amount recognised in income statement	4,012	6,420

* Depreciation of £3,171k was split into depreciation of ROUA of £2,635k and £536k of depreciation of Investment property. £465k was reclassified from impairment of right of use asset to depreciation of investment property, with the remaining £1,429k reclassified as impairment of investment property.

The Company had total cash outflows for leases of £3,497k in 2021 (2020: £5,437k). The Company also had non-cash additions to right-of-use assets and lease liabilities of £1,674k in 2021 (2020: £2,134k).

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 are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	<1 year £000	1-5 years £000	>5 years £000	Total £000
Termination options expected not to be exercised	70	963	381	1,414

There are no commitments on leases not started yet.

Notes to the financial statements (continued)

For the year ended 31 December 2021

0. Leasing (continued)

25.5. Company as lessor

The Company also acted as lessor on the building it occupied in Crawley until the start of 2021. It was a sublessor and so it acted as both lessee and lessor and applied IFRS 16 accounting in its capacity as lessor.

The balance on this is as follows:

	2021 £000	2020 £000
As at 1 January	-	921
Cash received	-	(977)
Interest earned	-	56
As at 31 December	-	-

25.6. Sale and leaseback

The details of this sales and lease back transaction can be found below :

	Tipton
Date of Sales	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

For the year ended 31 December 2021

26. Construction contracts in progress

26.1. Contract Balances

	2021 £000	2020 £000
Amounts due from customers for contract work		
Trade receivables (billed revenue)	36,636	21,748
Expected credit loss for trade receivables	(3,448)	(2,568)
Contract assets (unbilled revenue)	19,060	37,405
Expected credit loss for contract assets	(2,807)	(1,797)
Contract liabilities (payments in advance)	(7,838)	(7,237)
	41,603	47,551

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 customer. Contract liabilities include amounts received from customers in advance of work to be performed. The decrease in contract assets in the year was mainly due to the completion of key milestones on certain large projects which allowed the company to bill these amounts in the year and higher levels of billing at the year end. 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.

In respect of trade receivables, a loss of £1,144k (2020: £694k loss) was recognised in respect of an increase in the provision against trade receivables. A further profit of £11k (2020: £Nil) was recognised against trade receivables directly in the income statement due to unused amount reversed.

In respect of contract assets, a loss of £1,010k (2020: £944k 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 2021

26. Construction contracts in progress (continued)

26.2. Contract and revenue disclosure

	2021 £000	2020 £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	758,718	678,101
Transaction price allocated to remaining performance obligations (order book) *	813,112	859,125
Revenue recognised in the reporting period that was included in the contract liability balance at the start of the period	5,069	3,540

* 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:

	2021 £000	2020 £000
Contract Asset expected credit loss provision movement		
Balance as at 1 January under IFRS 9	(1,797)	(853)
(Charged) / credited to the income statement:		
Additional expected credit loss	(1,010)	(944)
Balance at 31 December	(2,807)	(1,797)

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

	2021 £000	2020 £000
Current	131	109
Up to 3 months	63	29
3 to 6 months	9	13
6 to 12 months	817	707
Over 12 months	1,787	939
	2,807	1,797

27. Investment Property

	Leasehold properties £000
Cost	
Balance at 1 January 2020, 31 December 2020 and 31 December 2021 *	7,646
Depreciation	
Balance at 1 January 2020 *	995
Charge for period *	1,001
Impairment *	1,429
Balance at 1 January 2021 *	3,425
Charge for period	1,279
Reversal of Impairment	(1,429)
Balance at 31 December 2021	3,275
Net book value at	
31 December 2020	4,221
31 December 2021	4,371

* The Company holds 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 this element of the ROUA was reclassified as Investment property in the current and prior years, having been misstated in the prior year accounts.

The impairment in the prior year of £1,429k was prospectively corrected to nil in the current year because the recoverable amount was calculated based on value in use when it should have been the higher of value in use and fair value less cost of disposal according to IAS36.

Notes to the financial statements

For the year ended 31 December 2021

27. Investment Property (continued)

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

	2021 Leasehold Property £000	2020 Leasehold Property £000
Cost		
Proportion of Investment property rented out	0%	27.2%
Fair value of land and buildings	25,585	31,220
Fair value of the right to use the leasehold property *	5,034	6,322
Depreciation charged	1,279	1,001
Period of depreciation	7 years	7 years
Rental Income	-	333
Service charge income	-	151
Maintenance costs	11	243
Expenses incurred charged right back	46	215

* The fair value was assessed by management. Though it was not assessed by an independent valuer, the fair value was reliable because it was reviewed by external auditors.

28. Related party transaction

Receivables and payables from subsidiary undertakings

	2021 £000	2020 £000
Receivables		
Amounts owed by Altrad Babcock Energy Germany GmbH	1,853	666
Amounts owed by Doosan Power Systems Europe GmbH (DPSE)*	-	19,693
Amounts owed by Altrad Babcock Power Systems Overseas Investments Limited (ABPSOIL)**	6,535	66,355
Amounts owed by Doosan Lentjes GmbH	-	272
Amounts owed by Doosan Babcock W.L.L	5,724	2,688
Amounts owed by Doosan Babcock General Maint Services L.L.C. ***	17,833	34,258
Total receivables	31,945	123,932
Payables		
Amounts owed to Altrad Babcock Energy Services (Overseas) Limited	804	747
Amounts owed to Doosan Lentjes GmbH (Lentjes)*	31,743	49,755
Total payables	32,547	50,502

*During the year DPSE and Lentjes were merged and all loans payable and receivable between the entities and the company were offset to leave one loan receivable.

**This loan receivable was impaired down to the value in use of the only remaining subsidiary of ABPSOIL – Altrad Babcock Europe S.A

*** This loan receivable was impaired down the present value of the operating cashflows from the entity.

Notes to the financial statements (continued)

For the year ended 31 December 2021

28. Related party transaction (continued)

Income and costs from subsidiary undertakings

	2021 £000	2020 £000
Income		
Doosan Power Systems Europe GmbH	62	(369)
Doosan Babcock General Maint Services L.L.C.	74	163
Altrad Babcock America LLC	38	(424)
Total income	174	(630)
Costs		
Altrad Babcock Energy Germany GmbH	18	(596)
Altrad Babcock Europe S.A.	610	585
Total costs	628	(11)

Finance income and costs from subsidiary undertakings

	2021 £000	2020 £000
Finance income		
Doosan Power Systems Europe GmbH	268	368
Doosan Lentjes GmbH	98	171
Doosan Babcock General Maint Services L.L.C.	830	795
Altrad Babcock Power Systems Overseas Investments Limited	1,477	1,881
Total finance income	2,673	3,215
Finance costs		
Doosan Lentjes GmbH	1,018	815
Total finance costs	1,018	815

Notes to the financial statements

For the year ended 31 December 2021

28. Related party transaction (continued)

Receivables and payables from other group entities

	2021 £000	2020 £000 *Restated
Amounts owed by Doosan Power Systems S.A.**	330,600	468,072
Amounts owed by Doosan Enerbility Corporation	3,579	4,421
Amounts owed by Doosan Power Systems India	267	267
Amounts owed by other group undertakings	61	345
Total receivables	334,507	473,105
Amounts owed to Doosan Information and Communications Europe Limited	5,793	6,330
Amounts owed to Doosan Enerbility Corporation *	55,007	50,045
Amounts owed to Doosan Power Systems (Scotland) Limited Partnership***	-	1,808
Amounts owed to Doosan Power Systems S.A.	445	-
Amounts owed to other group undertakings	243	1,851
Total payables	61,488	60,034

* In the FY20 financial statements the Company had £50m of loans payable to Doosan Enerbility (previously Doosan Heavy Industries & Construction Co. Ltd). Of this total, £6.4m was disclosed as a payable to group entities and the balance was incorrectly included in borrowings. The amount was also disclosed as a part of the Related Party transactions (Note 27). Accordingly, a reclassification of £43.6m has been made from to restate the prior year payable figures correctly.

**During the year £136.7m of this loan was swapped for a single share in Lentjes whose value was subsequently impaired to £44,636k.

*** On 19 October 2021 all of the assets and liabilities of the Scottish Limited Partnership (SLP) were transferred to Doosan Power Systems SA and the SLP ceased to exist.

Income and costs from other group entities

	2021 £000	2020 £000
Income		
Doosan Enerbility Corporation	1,556	7,032
Doosan Power Systems S.A.	-	589
Doosan Information and Communications Europe Limited	123	1,151
Doosan Enpure Limited	62	499
Total income	1,741	9,271
Costs		
Doosan Enerbility Corporation	1,507	2,500
Doosan Information and Communications Europe Limited	8,301	11,009
Doosan Power Systems (Scotland) Limited Partnership	1,001	3,680
Total costs	10,809	17,189

Finance income and costs from other group entities

	2021 £000	2020 £000
Finance income		
Doosan Power Systems S.A.	9,335	12,169
Total finance income	9,335	12,169
Finance cost		
Doosan Enerbility Corporation	2,071	102
Total finance cost	2,071	102

Notes to the financial statements (continued)

For the year ended 31 December 2021

29. Subsequent events

29.1. Sale of Business

On 26th May 2022 a Sale Purchase agreement was signed whereby the Company and all of its subsidiaries will be sold by Doosan Power Systems SA (DPSSA) to the Altrad Group. The sale completed on 25 September 2022.

29.2. Pre-Sale transactions

In preparation for completion a number of transactions have occurred to ensure that only the assets that are being sold remain in the Company, these are as follows:

- The Sale of Doosan Lentjes GmbH to DPSSA for £44m in return for the transfer of the £46m loan from Doosan Enerbility to DPSSA and the creation of a new loan receivable for £2m. This occurred on 30th June 2021.

The following all occurred on the day of completion 25th September 2022

- The transfer of the remaining loan payable to Doosan Lentjes GmbH of £32m with no gain or loss.

- The transfer of the responsibility for the defined benefit pension scheme and hence the deficit of £9.5m associated with it, with a write off of the associated deferred tax asset of £2.3m occurring when this happened.

- The transfer of all remaining payables and receivables from other members of the DPSSA group and the Doosan Enerbility group with no gain or loss.

- The settlement of the remaining loan to DPSSA via capital conversion of £260m and dividend to DPSSA of £290m.

- The lease held by the Company with parent company DPSSA was surrendered back to DPSSA with a gain of £1.5m on the difference between the right of use asset and the liability.

- The impairment of £11m recognised against the deferred tax asset in the year could potentially be reversed in 2022 to reflect the cost savings and synergies following the sale to the Altrad group. It is also expected that the deferred tax asset on the pension deficit will reverse and be recognised upon the transfer of the scheme to former parent company Doosan Power Systems SA

30. Ultimate parent company and controlling party

At the year end 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 is the largest group in which the results of the Company are consolidated. The smallest such group is 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.

The consolidated financial statements of Doosan Power Systems S.A. are available to the public and may be obtained from Doosan House, Crawley Business Quarter, Manor Royal, Crawley, RH10 9AD, United Kingdom.

Subsequent to the sale of the company to Altrad UK Limited on 25th September 2022, the ultimate parent company became Altrad Investment Authority SA a private owned company registered in France

Appendix

For the year ended 31 December 2021

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, most notably the parent company Doosan Enerbility Corporation & Construction Co Limited with additional useful information by defining new measures to aid the understanding of the Company's financial performance, financial position and cash flows.

KPI	Description	Closest IFRS Measure	Adjustments required to reconcile to closest IFRS Measure	Rationale for adjustments
Order Intake	Measures value of new contracts won	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 from business / Loss	Measures total earnings 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.

Reconciliation of Adjusted Operating Profit KPI to Statutory Income statement

	2021 £000	2020 £000
Operating Loss as per Income Statement	(170,920)	(5,324)
Expected Credit losses on receivables and contract assets	2,154	1,563
(Reversal of Impairment) / Impairment of Investment property	(1,429)	1,429
Impairment of Fixed Asset investments	93,018	-
Impairment of Intercompany Loan	81,808	-
Expenses relating to Industrial disease claims	1,346	-
Loss / (Profit) on disposal of property, plant and equipment	(1,776)	139
IAS 19 Pension Costs	2,590	2,387
Other expenses / (income)	(3)	1,994
Impairment of intangible assets	326	21
Adjusted Operating Profit KPI	7,114	2,209