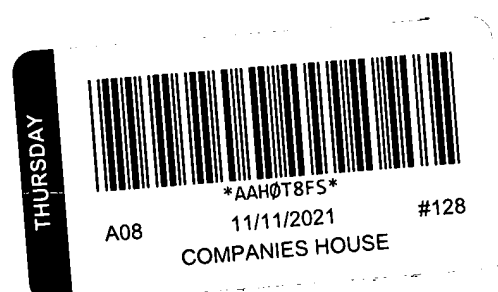


Bilfinger UK Limited

Report and Financial Statements

31 December 2020

Registered No: 5384376



Bilfinger UK Limited

Registered No: 5384376

Directors

D Harcus
P Maurer
N J O'Keeffe

Auditors

Ernst & Young LLP
2 St. Peter's Square
Manchester
M2 3EY

Bankers

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

Solicitors

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

Registered Office

Wilson House
Kelburn Court
Daten Park
Birchwood
Warrington
WA3 6UT

Strategic report

The Directors present their strategic report for the year ended 31 December 2020.

Business review

Turnover and loss on ordinary activities before taxation are £165,736,000 (2019: £179,550,000) and £6,731,000 (2019: £15,275,000) respectively. After a tax credit of £516,000 (2019: £2,630,000) the loss of £6,215,000 (2019: £12,645,000) has been transferred to reserves. The company is an engineering and industrial services provider, providing fully integrated, multidisciplinary support through the life cycle of an asset. This helps to drive efficiency, improve plant performance and reduce maintenance costs for our customers across a number of sectors in particular the chemical and petrochemical, oil and gas, water, power, nuclear and pharmaceutical industries.

The start of 2020 saw significant volume increases and strong performance, however the onset of the Covid-19 pandemic impacted the market and did have a negative impact on both revenue and profitability. The business reacted and put in place a number of cost cutting measures as well as taking advantage of the Coronavirus Job Retention Scheme put in place by the UK government, however losses were incurred in 2020 as a result of the costs of the scheme and redundancy costs incurred in ensuring the business was rightsized for future success. The company has returned to profitability at the start of 2021 and further recovery is expected in future years as the market conditions become more stable. The business continues to invest in digitalisation to bring efficiencies to the business and clients, with continued growth in both revenue and margins expected over the next five years.

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

The company has worked hard at improving the cash position by introducing Working Capital improvement plans across the key contracts. Whilst there was only a small improvement during 2020 due to the cash outlay on redundancy, this has resulted in a significant improvement in liquidity in 2021.

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

Key performance indicators (KPIs)

The Directors consider the main KPIs to be health & safety, turnover, profit before tax, and liquidity. Examples of such measures are, gross profit (%), all injury frequency rates, net trade assets and days sales outstanding. The Directors have reviewed the performance against KPIs in the year, with plans in place to improve the profitability of the company and return this to previous levels. This has been seen during 2021 as the company has returned to profitability.

Strategic report (continued)

Principal risks and uncertainties

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

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

The impact of Brexit has been reviewed and it is not perceived as a major risk area. The company works in the UK and does not make significant imports from the EU. The major risk would be from any downturn in the economy which is not currently considered a significant threat.

The global Covid-19 pandemic in 2020 and its potential to limit the ability of the workforce to move freely, and their ability to perform work on client sites posed a risk to the company. There is also the wider impact on the economy, customer spend and the oil price which is a significant risk. The Board acted swiftly to align the workforce for the future and focus on securing additional clients outside of the declining oil and gas markets. The risk has been actively managed and, as a result, the company is in a stronger position moving forward.

Strategic report (continued)

Section 172

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

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

Strategic report (continued)

Section 172 (continued)

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

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

By order of the Board



Nicola O'Keeffe
Director
9 November 2021

Directors' report

The directors present their report and financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year, after taxation, amounted to £6,215,000 (2019: £12,645,000). As a result of the losses, no dividend was paid in the year (2019: £Nil).

Disabled employees

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

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

Employee involvement

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

Modern Slavery Act

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

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

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

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

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

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

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

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

Directors' report (continued)

Health and safety

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

Directors

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

D Harcus (appointed 1 January 2020)

J Liedl (resigned 1 January 2020)

N J O'Keeffe (appointed 20 July 2020)

P Maurer

M R Perry (resigned 1 July 2021)

Going concern

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

The directors have reviewed the profit and cashflow forecasts for the period to 30 November 2022 in detail and also have prepared a five year plan, which has enabled them to conclude that the business is a going concern. The future workload is underwritten by key long term contracts and the recent impact of Covid-19 has enabled the directors to right size the business to safeguard the Company's future. Lessons have been learnt from prior year project losses and new processes and procedures put in place and further sensitivity analysis has been prepared based only on current secured work. The order book for 2022 and beyond is strong with additional potential for other opportunities. As a result, the Company is expected to generate positive cashflows on its own account for the foreseeable future. The Company also participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

When concluding on the going concern status we considered the impact of many factors including Covid-19 and the prospect of future lockdowns and associated lost revenue and cashflows. Additional procedures have been performed as part of the going concern review by directors including additional stress testing. The current levels of secured work in the MMO business has been considered as an appropriate worst-case scenario when performing this stress testing, as well as the impact of a 15% fall in cash flows generated. The Company has been profitable and cash generative across 2021 so far, despite the impact of Covid-19 restrictions. On review of the results of this sensitivity testing, the directors expect the business to be both profitable and cash generative for both the 2021 financial year and period to 30 November 2022.

The directors, have considered the financial position and future prospects of the Company. In addition, the directors have made enquiries of Bilfinger SE in order to satisfy themselves that financial support would be available from this company should it be needed and a letter of financial support has been received from Bilfinger SE covering the period to 30 November 2022. The directors have considered the ability of Bilfinger SE to provide such support with no significant concerns noted. Details of banking arrangements for Bilfinger SE may be found in its own financial statements.

Based on their considerations and enquiries, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern for the period of 12 months from the date of approval of these financial statements. Therefore, despite the low net current asset position of £15,550,000 reported at 31 December 2020 (2019: £23,731,000 net current liability), on the basis of their assessment of the Company's financial position and of their enquiries made of Bilfinger SE, the directors have adopted the going concern basis of accounting in the preparation of these financial statements.

Directors' report (continued)

Streamlined Energy and Carbon Reporting (SECR)

This is the first year that the Company is subject to new requirements under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 to report on carbon and energy usage. In this first year of reporting, inclusion of comparative figures relating to 2019 is optional and the Company have chosen not to provide this information.

Methodology

The emissions and energy usage is reported for the period 1 January 2020 to 31 December 2020. Usage in buildings has been calculated based on meter readings and amounts invoiced by gas and electricity suppliers for the period. In instances where invoices are not available, the amounts have been estimated on the basis of usage demonstrated in the invoices available. The Company operates some properties where energy usage is managed and paid by the landlord; where a sub-metering arrangement exists, this usage is included. Where no sub-metering arrangement is in place, this usage is not included – this usage is not deemed material to the overall energy usage of the Company.

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

Conversion factors relating to 2020 as provided by the UK Government have been used to calculate the relevant kg CO₂e and kWh values from the data collected.

Consumption

	2020 (000 kWh)
Total energy consumption – Gas	476
Total fuel consumption – Transport	4,852
Total energy consumption – Electricity	654
Total consumption	5,982

Emissions

	2020 (000 tCO ₂ e)
Scope 1 – emissions from combustion of fuel – Gas	88
Scope 1 – emissions from combustion of fuel for transport	1,156
Scope 2 – emissions from purchased energy (location method) – Electricity	152
Total emissions (scopes 1 and 2)	1,396

Emission intensity (scopes 1 and 2)

	2020
tCO ₂ e per FTE employee	620
tCO ₂ e per £1m of revenue	7,584

Energy Efficiency Measures

The Company recognises the importance of energy efficiency measures and the need to reduce fuel consumption and energy usage. The Covid-19 pandemic has had a significant impact on business operations including any planned efficiency measures. As a result, limited efficiency measures have been implemented in 2020.

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

Directors' report (continued)

Disclosure of information to the auditors

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

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

Subsequent Events

No material events have occurred since the statement of financial position date that would affect the financial statements of the company.

Auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the appointment of PricewaterhouseCoopers LLP as auditors for the year to 31 December 2021. They will replace Ernst & Young LLP who will not seek reappointment.

On behalf of the board



Nicola O'Keeffe
Director
9 November 2021

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Opinion

We have audited the financial statements of Bilfinger UK Limited (the 'company') for the year ended 31 December 2020 which comprise the income statement, the statement of comprehensive income, the statement of financial position, the statement of changes in equity and related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 30 November 2022.

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

Other information

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BILFINGER UK LIMITED (continued)

Other information (continued)

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 10, 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 BILFINGER UK LIMITED (continued)

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. Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are regulations relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations including health and safety, General Data Protection Regulation and furlough scheme rules.
- We understood how Bilfinger UK Limited is complying with those frameworks by making enquiries of management, and those responsible for legal and compliance procedures, to understand how the Company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation and board meeting minutes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We considered the risk of management override and assumed revenue to be a fraud risk, specifically as a result of manual journals posted at the year end. We incorporated data analytics into our audit approach to assist in our targeted review of manual journals, including segregation of duties, and our testing of revenue recognition. We tested specific transactions back to source documentation, specifically the estimate of work in progress to post year end certification or invoicing. In the current period we incorporated a focus on compliance with furlough scheme rules. We reviewed the eligibility of the Company and the employees for which a claim was made. We tested a sample of furlough claim transactions back to source documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved testing journal entries identified by specific risk criteria which could indicate any non-compliance.

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.

Ernst & Young LLP

Anne Schmitt (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
9 November 2021

Income statement

For the year ended 31 December 2020

	<i>Notes</i>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
Turnover	3	165,736	179,550
Cost of sales		(162,259)	(174,633)
Gross Profit		<u>3,477</u>	<u>4,917</u>
Administrative expenses – normal		(11,035)	(19,245)
Administrative expenses – exceptional	4	(18,541)	-
Administrative expenses – total		<u>(29,576)</u>	<u>(19,245)</u>
Other operating income	5	9,348	-
Operating Loss	6	(16,751)	(14,328)
Income from shares in group undertakings	7	11,000	-
Interest payable	11	(980)	(947)
Loss on ordinary activities before taxation		<u>(6,731)</u>	<u>(15,275)</u>
Tax credit	12	516	2,630
Loss for the financial year		<u>(6,215)</u>	<u>(12,645)</u>

All activities relate to continuing operations.

Statement of Comprehensive Income

For the year ended 31 December 2020

	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
Loss for the financial year	(6,215)	(12,645)
Other Comprehensive Income	-	-
Total Comprehensive Expense	<u>(6,215)</u>	<u>(12,645)</u>

Statement of changes in equity

For the year ended 31 December 2020

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total Equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2019	117	2,281	22,096	24,494
Total Comprehensive Expense	-	-	(12,645)	(12,645)
Share based payment	-	-	43	43
At 31 December 2019	117	2,281	9,494	11,892
Total Comprehensive Expense	-	-	(6,215)	(6,215)
Share based payment	-	-	84	84
At 31 December 2020	117	2,281	3,363	5,761

Share capital

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

Share premium

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

Profit and loss account

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

Statement of financial position
at 31 December 2020

		2020	2019
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Fixed assets			
Tangible assets	13	9,875	11,200
Intangible assets	14	4,635	4,819
Right-of-use assets	15	3,640	4,445
Investments	16	4,989	18,886
		<hr/>	<hr/>
		23,139	39,350
Current assets			
Trade and other receivables	17	60,180	71,686
Cash at bank and in hand		116	1,018
		<hr/>	<hr/>
		60,296	72,704
Current liabilities			
Trade and other payables	18	44,746	96,435
Net current assets/(liabilities)		<hr/>	<hr/>
		15,550	(23,731)
Total assets less current liabilities		<hr/>	<hr/>
		38,689	15,619
Non-current liabilities			
Lease liabilities	19	2,928	3,727
Amounts owed to group undertakings	20	30,000	-
		<hr/>	<hr/>
Net assets		5,761	11,892
Capital and reserves			
Share capital	23	117	117
Share Premium		2,281	2,281
Profit and loss account		3,363	9,494
		<hr/>	<hr/>
Equity shareholder's funds		5,761	11,892

The financial statements were approved for issue by the board on 9 November 2021



Nicola O'Keeffe
Director

Notes to the financial statements

at 31 December 2020

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

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

The financial statements of Bilfinger UK Limited (the "Company") for the year ended 31 December 2020 were authorised for issue by the board of directors on 9 November 2021 and the balance sheet was signed on the board's behalf by Nicola O'Keeffe. Bilfinger UK Limited is incorporated and domiciled in England and Wales.

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

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

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 and para 4(a) of IFRS 10 Consolidation of Financial Statements not to prepare group accounts as it is a wholly owned subsidiary of Bilfinger SE.

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

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

2. Accounting policies

a. Basis of preparation and going concern

The Company has prepared accounts in accordance with FRS 101 for all periods presented. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020.

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

- (i) The requirements of paragraphs 62 and B67 of IFRS 3 Business Combinations;
- (ii) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (iii) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (a) paragraph 79(a)(iv) of IAS 1;
 - (b) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (c) paragraph 118(e) of IAS 38 Intangible Assets;
 - (v) the requirements of IAS 7 Statement of Cash Flows;
 - (vi) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
 - (vii) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
 - (viii) the requirements of paragraph 91 to 99 of IFRS 13 Fair Value Measurement regarding financial instrument valuation techniques and inputs used for fair value measurement.

Notes to the financial statements

at 31 December 2020 (continued)

2. Accounting policies (continued)

a. Basis of preparation and going concern (continued)

The directors have reviewed the profit and cashflow forecasts for the period to 30 November 2022 in detail and also have prepared a five year plan, which has enabled them to conclude that the business is a going concern. The future workload is underwritten by key long-term contracts and the recent impact of Covid-19 has enabled the directors to right size the business to safeguard the Company's future. Lessons have been learnt from prior year project losses and new processes and procedures put in place and further sensitivity analysis has been prepared based only on current secured work. The order book for 2022 and beyond is strong with additional potential for other opportunities. As a result, the Company is expected to generate positive cashflows on its own account for the foreseeable future. The company also participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

When concluding on the going concern status we considered the impact of many factors including Covid-19 and the prospect of future lockdowns and associated lost revenue and cashflows. Additional procedures have been performed as part of the going concern review by directors including additional stress testing. The current levels of secured work in the MMO business has been considered as an appropriate worst-case scenario when performing this stress testing, as well as the impact of a 15% fall in cash flows generated. The Company has been profitable and cash generative across 2021 so far, despite the impact of Covid-19 restrictions. On review of the results of this sensitivity testing, the directors expect the business to be both profitable and cash generative for both the 2021 financial year and to 30 November 22.

The directors, have considered the financial position and future prospects of the Company. In addition, the directors have made enquiries of Bilfinger SE in order to satisfy themselves that financial support would be available from this company should it be needed and a letter of financial support has been received from Bilfinger SE covering the period to 30 November 2022. The directors have considered the ability of Bilfinger SE to provide such support with no significant concerns noted. Details of banking arrangements for Bilfinger SE may be found in its own financial statements.

Based on their considerations and enquiries, the directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern for the period of 12 months from the date of approval of these financial statements. Therefore, despite the low net current asset position of £15,550,000 reported at 31 December 2020 (2019: £23,731,000 net current liability), on the basis of their assessment of the Company's financial position and of their enquiries made of Bilfinger SE, the directors have adopted the going concern basis of accounting in the preparation of these financial statements.

Notes to the financial statements

at 31 December 2020 (continued)

2. Accounting policies (continued)

b. Changes to accounting policies and disclosures

New and amended standards and interpretations adopted by the Company

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting period beginning on or after 1 January 2020:

- Amendments to IFRS 3 Business Combinations – Definition of a Business
- Amendments to IAS 1 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material

These have been adopted by the Company.

The following standards and amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting period beginning on or after 1 January 2021 and the company has chosen not to adopt them early:

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

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

c. Significant accounting policies

Judgements and key sources of estimation uncertainty

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

Revenue recognition of maintenance contracts

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

Leases - Estimating the incremental borrowing rate

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

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

Notes to the financial statements

at 31 December 2020 (continued)

2. Accounting policies (continued)

Foreign currency translation

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

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

Exceptional Items

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

Investments

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

Intangible Assets

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

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

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

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

Software	25%
Other	12.5%

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

Notes to the financial statements

at 31 December 2020 (continued)

2. Accounting policies (continued)

Tangible fixed assets

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

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

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

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

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss.

Provisions for liabilities

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

Leases

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

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any 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:

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

Notes to the financial statements

at 31 December 2020 (continued)

2. Accounting policies (continued)

Leases (continued)

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

(ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

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

Loans

At initial recognition, financial instruments including loans are to be measured at fair value plus directly attributable transaction costs.

Subsequent measurement is at amortised cost i.e. recognition through profit or loss of interest results in accordance with the effective interest method.

Trade and other receivables

Trade debtors, which generally have 30-60 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

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

Notes to the financial statements

at 31 December 2020 (continued)

2. Accounting policies (continued)

Income taxes

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

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

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

Pensions and other post-employment benefits

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

Revenue recognition

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

Construction contracts

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

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

Maintenance contracts

Revenues from maintenance contracts are recognised where persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be reliably measured and collection of the related receivable is reasonably assured.

IFRS 15 requires the identification of separate performance obligations within a contract. For those contracts where the company provides a single discipline, there has not been any impact under the new standard. Where the company provides multi-disciplinary services within a maintenance contract, the identification of performance obligations has not had an impact on how the company recognises revenue and profit or loss, as maintenance contracts are accounted for on an earned value basis.

Government grants

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

Notes to the financial statements

at 31 December 2020 (continued)

3. Turnover

All turnover and profits before taxation are derived from the principal activities of the Company and arose from trading in the United Kingdom.

4. Administrative expenses - exceptional

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Recognised in arriving at the operating profit from continuing operations:		
Impairment of investment in Bilfinger Construction	13,897	-
Reorganisation costs	4,644	-
	<u>18,541</u>	<u>-</u>

5. Other operating income

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Government grants	9,348	-
	<u>9,348</u>	<u>-</u>

A government grant has been received from the Coronavirus Job Retention Scheme to support with salaries costs of employees who have been unable to work due to Covid-19. All relevant conditions of this grant have been met.

6. Operating loss

This is stated after charging:

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Amortisation of intangible assets	184	202
Depreciation of tangible fixed assets	2,807	2,884
Depreciation of right-of-use assets	871	851
	<u>3,862</u>	<u>3,937</u>

Notes to the financial statements

at 31 December 2020 (continued)

7. Income from shares in group undertakings

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Dividends received	11,000	-
	<u>11,000</u>	<u>-</u>

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

8. Auditors remuneration

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

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Audit of the financial statements	65	65
	<u>65</u>	<u>65</u>

9. Staff costs

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	81,049	84,749
Social security costs	9,062	9,502
Staff pension contributions (note 26)	1,983	1,851
	<u>92,094</u>	<u>96,102</u>

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

	<i>2020</i>	<i>2019</i>
	<i>No.</i>	<i>No.</i>
Administration	436	396
Operations	1,590	1,436
	<u>2,026</u>	<u>1,832</u>

Notes to the financial statements

at 31 December 2020 (continued)

10. Directors' remuneration

	2020	2019
	£000	£000
Directors' remuneration	623	628
Compensation for loss of office	50	-
Company contribution to money purchase pension schemes	29	32
	<u>702</u>	<u>660</u>

The remuneration of the highest paid director was £244,000 (2019 - £292,000) and pension contributions of £Nil (2019 - £Nil).

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

	2020	2019
	No.	No.
Money purchase pension schemes	<u>3</u>	<u>2</u>

11. Interest payable

	2020	2019
	£000	£000
Lease interest – Right-of-use asset	55	110
To other group undertakings	925	837
	<u>980</u>	<u>947</u>

12. Taxation

	2020	2019
	£000	£000
Tax credit in the income statement		
<i>Current Income Tax:</i>		
Payments in respect of group relief	-	(2,384)
Tax charge in respect of R&D Expenditure Credit	116	
Amounts under provided in previous years	-	(3)
Total current income tax	<u>116</u>	<u>(2,387)</u>
<i>Deferred Tax:</i>		
Origination and reversal of temporary differences	(535)	(340)
Tax over provided in previous years	(97)	97
Total deferred tax	<u>(632)</u>	<u>(243)</u>
Tax credit in the income statement	<u>(516)</u>	<u>(2,630)</u>

Notes to the financial statements

at 31 December 2020 (continued)

12. Taxation (continued)

(a) Reconciliation of the total tax charge

	2020	2019
	£000	£000
Loss on ordinary activities before taxation	(6,731)	(15,275)
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19%)	(1,279)	(2,902)
Expenses not deductible for tax purposes	2,950	52
Income not taxable	(2,090)	-
Tax under / (over) provided in previous years	(97)	94
Deferred tax asset not provided	-	86
Deferred tax rate adjustment	-	40
Total tax credit reported in the income statement	(516)	(2,630)

Change in Corporation Tax rate:

Finance Act 2020 was enacted on 27 July 2020. This Act included provisions revoking the proposed rate of UK corporation tax to 17% from 1 April 2020. Accordingly, the relevant deferred tax balances have been measured using the rate of 19%. As the Company expects to be significantly profitable in 2021, the deferred tax asset of £654,000 has been recognised in full.

The UK Budget 2021 announcements on 3rd March 2021 included measures to support economic recovery as a result of the ongoing Covid-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1st April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end.

Notes to the financial statements

at 31 December 2020 (continued)

13. Tangible assets

	<i>Leasehold Improvements</i>	<i>Assets Under Construction</i>	<i>Plant and equipment</i>	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
<i>Cost:</i>						
At 1 January 2020	672	14	20,535	2,520	183	23,924
Transfers	-	(14)	-	14	-	-
Additions	7	-	967	120	457	1,551
Disposals	-	-	(2,795)	(32)	-	(2,827)
At 31 December 2020	<u>679</u>	<u>-</u>	<u>18,707</u>	<u>2,622</u>	<u>640</u>	<u>22,648</u>
<i>Depreciation:</i>						
At 1 January 2020	94	-	10,985	1,476	169	12,724
Charge for period	71	-	2,323	395	18	2,807
Disposals	-	-	(2,737)	(21)	-	(2,758)
At 31 December 2020	<u>165</u>	<u>-</u>	<u>10,571</u>	<u>1,850</u>	<u>187</u>	<u>12,773</u>
<i>Carrying amount:</i>						
At 31 December 2020	<u>514</u>	<u>-</u>	<u>8,136</u>	<u>772</u>	<u>453</u>	<u>9,875</u>
At 1 January 2020	<u>578</u>	<u>14</u>	<u>9,550</u>	<u>1,044</u>	<u>14</u>	<u>11,200</u>

Notes to the financial statements

at 31 December 2020 (continued)

14. Intangible assets

	<i>Goodwill</i>	<i>Computer Software</i>	<i>Other</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>				
At 1 January 2020	4,603	532	430	5,565
Additions	-	-	-	-
At 31 December 2020	<u>4,603</u>	<u>532</u>	<u>430</u>	<u>5,565</u>
<i>Amortisation:</i>				
At 1 January 2020	-	474	272	746
Charge for period	-	26	158	184
At 31 December 2020	<u>-</u>	<u>500</u>	<u>430</u>	<u>930</u>
<i>Carrying amount:</i>				
At 31 December 2020	<u>4,603</u>	<u>32</u>	<u>-</u>	<u>4,635</u>
At 31 December 2019	<u>4,603</u>	<u>58</u>	<u>158</u>	<u>4,819</u>

Notes to the financial statements

at 31 December 2020 (continued)

15. Right-of-use assets

	<i>Leasehold Property £000</i>	<i>Motor Vehicles £000</i>	<i>IT Hardware £000</i>	<i>Total £000</i>
<i>Cost:</i>				
At 1 January 2020	4,685	435	176	5,296
Additions	41	27	-	68
Disposals	-	(11)	-	(11)
At 31 December 2020	<u>4,726</u>	<u>451</u>	<u>176</u>	<u>5,353</u>
<i>Depreciation:</i>				
At 1 January 2020	673	122	56	851
Charge for period	688	126	57	871
Disposals	-	(9)	-	(9)
At 31 December 2020	<u>1,361</u>	<u>239</u>	<u>113</u>	<u>1,713</u>
<i>Carrying amount:</i>				
At 31 December 2020	<u>3,365</u>	<u>212</u>	<u>63</u>	<u>3,640</u>
At 31 December 2019	<u>4,012</u>	<u>313</u>	<u>120</u>	<u>4,445</u>

Notes to the financial statements

at 31 December 2020 (continued)

16. Investments

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

b) Details of Group Undertakings

Details of the investment in which the Company holds 20% or more of the nominal value of any class of share capital at 31 December 2020 are as follows:

<u>Company name</u>	<u>% of Ordinary shares held</u>	<u>Held by</u>	<u>Nature of business</u>
Bilfinger Construction UK Limited	100%	Bilfinger UK Limited	Active
O'Hare Limited	100%	Bilfinger UK Limited	Dormant
O'Hare Engineering Limited	100%	Bilfinger UK Limited	Dormant
O'Hare Engineering (South & East) Limited	100%	Bilfinger UK Limited	Dormant

The four subsidiary companies were incorporated in Great Britain and the dormant companies have remained dormant since incorporation.

The investment in Bilfinger Construction UK Limited has been assessed for indicators of impairment as at 31 December 2020. A significant dividend payment (£11,000,000) was made in the year. This, combined with challenging economic conditions due to the Covid-19 pandemic has led to concern that the carrying amount of the investment may exceed the recoverable amount.

An assessment of the fair value less costs of disposal and the value in use of the investment in Bilfinger Construction UK Limited has been undertaken. A carrying value of £4,989,000 has been calculated based on net assets. Hence an impairment loss of £13,897,000 has been recognised in the profit and loss account.

Notes to the financial statements

at 31 December 2020 (continued)

17. Trade and other receivables: amounts falling due within one year

	2020	2019
	£000	£000
Amounts recoverable under contracts (contract assets)	21,504	32,224
Trade debtors	30,588	32,420
Amounts owed by group undertakings	3,389	3,511
Corporation tax and R&D Expenditure Credit	611	1,028
Deferred tax	654	22
Other debtors	351	324
Prepayments and accrued income	3,083	2,157
	<u>60,180</u>	<u>71,686</u>

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

	2020	2019
	£000	£000
As at 1 January	1,199	798
Provision for expected credit losses	(333)	401
As at 31 December	<u>866</u>	<u>1,199</u>

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

18. Trade and other payables: amounts falling due within one year

	2020	2019
	£000	£000
Trade creditors	12,498	18,898
Amounts owed to group undertakings	20,978	63,684
Other creditors	1,358	1,805
Other taxation and social security costs	6,720	9,848
Corporation tax	116	56
Lease liabilities (note 19)	775	791
Accruals and deferred income	2,301	1,353
	<u>44,746</u>	<u>96,435</u>

Notes to the financial statements

at 31 December 2020 (continued)

19. Lease liabilities

	2020	2019
	£000	£000
As at 1 January	4,518	5,082
Additions	68	227
Accretion of Interest	55	111
Disposals	(2)	(13)
Payments	(936)	(889)
	<u>3,703</u>	<u>4,518</u>
Current	775	791
Non-current	2,928	3,727

20. Amounts owed to group undertakings

	2020	2019
	£000	£000
Amounts owed to group undertakings	30,000	-
	<u>30,000</u>	<u>-</u>

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

21. Deferred tax assets

	2020	2019
	£000	£000
Accelerated capital allowances	250	230
Other timing differences	(904)	(252)
	<u>(654)</u>	<u>(22)</u>

The potential liability for deferred tax is provided in full.

	£000	£000
Deferred tax provided at start of year	(22)	221
Release from statement of comprehensive income	(632)	(243)
Deferred tax provided at end of year	<u>(654)</u>	<u>(22)</u>

Notes to the financial statements

at 31 December 2020 (continued)

22. Capital commitments

The Company had capital commitments amounting to £Nil as at 31 December 2020 (31 December 2019 - £Nil).

23. Share capital

	2020	2019
	£000	£000
<i>Authorised</i>		
200,000 Ordinary shares of £1 each	200	200
	<u>200</u>	<u>200</u>
	2020	2019
	£000	£000
<i>Allotted, called-up and fully-paid</i>		
117,000 Ordinary shares of £1 each	117	117
	<u>117</u>	<u>117</u>

24. Contingent liabilities

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

25. Off-balance sheet arrangements

There are no material off-balance sheet arrangements.

26. Pension schemes

The Company contributes to a number of defined contribution pension schemes. The total pension cost for the year was £1,983,000 (2019: £1,851,000).

27. Post balance sheet events

While, after the balance sheet date, the Company continues to have a degree of uncertainty with regards to the ongoing impact of the Covid-19 pandemic, the Company is not aware of any material impacts.

On 29 September 2021, an announcement was made that Bilfinger Salamis will merge with Bilfinger UK with effect from 1 January 2022. There are no material impacts of this announcement expected on the accounts for the year ended 31 December 2020.

28. Ultimate group undertaking

The Company's immediate parent company is Bilfinger Northwest Europe Limited, a company registered in Scotland.

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

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