

Altrad Babcock Limited

Annual report and financial statements for the 8 months ended 31 August 2023

Reg no. 00839354

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Officers and professional advisers

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Jonathan Gilmore
Andrew Colquhoun
Padraig Somers

Registered number

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Strategic report

For the 8 months ended 31 August 2023

The Directors present their strategic report on Altrad Babcock Limited (the 'Company') for the 8 months ended 31 August 2023

The Company has amended its accounting reference date to 31 August to align with Altrad group of which it is part. Consequently this set of accounts presents the results for the 8 months ended 31 August 2023.

Business Review

Trading performance

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

The Company has a strategic focus on delivering excellence in engineering, aftermarket and upgrade solutions to the nuclear, oil and gas, petrochemical and process industries. The focus is on establishing and developing long term relationships with its clients to support their infrastructure and to partner their journeys to a greener future. The business contracting model has moved away from large fixed price Engineering, Procurement and Construction (EPC) projects where there is an inherent level of risk to more commercially balanced arrangements.

On 25 September 2022, 100% of the ordinary shares in the Company were acquired by Altrad UK Limited. In anticipation of the sale of the shares, a pre-sale reorganisation took place which included the transfer of the shares in subsidiary entity Lentjes GmbH to former parent Doosan Power Systems S.A. (DPSSA), the transfer of the defined benefit pension scheme to Doosan on 22 September 2022 and the elimination of all intercompany balances within the former parent group. See notes on Dividends page 8.

Revenues of £286.5m for the 8 months are equivalent to a 14.5% increase in the 12 months full year equivalent (FYE) revenue of £427m (2022: £334.9m) reflecting increased revenue from Nuclear framework agreements and outage work at Drax.

The reported operating loss of £6.4m (2022: £76.1m), was better than last year which contained the effects of a £60m of Loan Impairments and a final loss on settlement of the Pension scheme of £10.5m. This year's loan impairments were lower at £2.0m. Adjusted operating profit was £0m (2022: £0.5m loss) was much improved as the previous year reflected various write downs on legacy projects.

Net finance income became a loss of £1.5m (2022: £13.7m profit) as exchange losses this year of £2.6m exceeded the interest income on intercompany loans of £1.6m (2022 £10.8m). Interest income has fallen as most intercompany loans due from the Doosan group were settled in September 2022. There were restructuring costs of £13.6m in the current period only reflecting redundancy, office closure and contract termination costs arising from integrating the business with the new owner Altrad.

These factors resulted in a loss before tax of £7.9m (2022: £62.4m loss).

Year-end position

The Company's year-end cash position was £45.1m (2022: £30.4m) and net assets were £19.8m (2022: £24.5m)

Financial key performance indicators

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

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

Key performance indicator	2023	2022
	£m	£m
Cash flow	14.4	(20.4)
Revenue	286.5	335.0
Adjusted EBITDA	9.8	(1.6)

Please see the Appendix for a reconciliation of how these numbers are calculated

Likely future developments

The Company has successfully implemented a series of cost saving measures in 2023 as part of the integration of the Babcock business into the Altrad Group. The Company will continue its policy of expansion and diversification by looking to capitalise on opportunities in both

Strategic report (continued)

For the 8 months ended 31 August 2023

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 Company has continued its expansion of 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 £582m in the Nuclear business and £107m in the Process business providing certainty of turnover and associated margin into 2024 and later years.

On 25th September 2022, the Company and its subsidiaries, the “Babcock group”, were sold to Altrad UK Limited and the process of integrating the Babcock group with the Altrad UK group is well underway and expected to conclude in 2024. It is expected the Company will continue with the strategy above but this will be coupled with the operational and commercial synergies that the integration will create.

Principal risks and uncertainties

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

Supplier and raw material costs

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

Exchange risk

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

Timing of new projects

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

Strategic report (continued)

For the 8 months ended 31 August 2023

Credit risk

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

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

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

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 8 months ended 31 August 2023

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

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

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

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

Decision making

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

Strategy

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

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

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

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

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

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

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.

People

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

Whether employees, clients, suppliers, or the wider community our first and most important obligation to our stakeholders is to keep people safe. The Directors lead the focus on health and safety through regular staff briefings and communications, and regular reviews of health and safety performance at board and management meetings.

Strategic report (continued)

For the 8 months ended 31 August 2023

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

Our key stakeholders

Clients

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

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

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

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

The business evolves to meet the changing markets and regulatory requirements and has recognised the change in energy targets which were further clarified during COP28, and the Company is working in partnership with a number of companies and clients to develop carbon capture technologies and low carbon energy production. Examples of this include 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 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.

People

Whether employees, clients, suppliers or the wider community, our first and most important obligation to our stakeholders is to keep people safe. At Altrad, 'Health and Safety' is more than just a priority. It is a value that is not open for discussion: for that reason, safety underpins every decision we make and every action we take. On a day-to-day basis, we strive, with our employees and partners, throughout all our facilities, operational worksites and offices, to achieve the very highest safety standards.

The nature of the Company's operations includes high-risk situations and it is critical that all our teams understand what is required when faced with a potentially hazardous situation. For that reason, at every group level, numerous initiatives have been introduced to improve safety. These initiatives are always part of a continuous improvement process based on identifying, analysing and controlling risks. To reduce these risks and make safety a genuine value shared by all its employees, Altrad is committed to making safety a basis of its corporate culture. The approach that we promote enables everyone to become involved and give their opinion on topics relating to health and safety. On a day-to-day basis, everyone's contribution is both necessary and welcome. It creates a collective commitment and helps us to develop a genuine safety culture.

Strategic report (continued)

For the 8 months ended 31 August 2023

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

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.

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

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

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

Regulators

The Board recognizes the importance of open and continuous dialogue with its regulatory stakeholders to ensure legal and regulatory compliance. This includes the Health and Safety Executive, 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 the year the Directors of the Company actively sought out the expectations and requirements of its shareholders when making key decisions and investments.

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

Employees

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

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

- Monthly CEO Webinar to the Senior Leadership Team to share business performance, key successes and for the leadership to gain and provide feedback to the CEO/Executive Team, with open Q&A sessions.
- Webinar cascade by the Directors to all employees; communicating current business performance; covering safety, contract successes and targets, business financial updates, and forward business outlook.
- Wellbeing and Mental Health support and online participation programmes are available to all employees, to support employees and their families through any wellbeing matters, be these work or non-work related.
- Quarterly Business Sector based team "town-hall" sessions giving business updates to the teams and open discussion forums.
- Online roll-out of 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 8 months ended 31 August 2023

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

Employees (continued)

- Continual development of the intranet site business news items, announcement of contract awards, employee personal achievements, CSR activity, Safety Awards and a variety of other areas including the work driven by the Board to support STEM in our communities.
- Business wide Communication Network with employees who volunteer to act as a further conduit for two-way communication across sectors and corporate functions.
- Formal and informal forum for the recognised Employee Representatives / Trade Union elected members in order to discuss any aspect in relation to employees.
- Following the acquisition of the Company by the Altrad UK Group on 25 September 2022, the Company commenced a transformation and integration programme, which will see the business fully integrated within the Altrad UK Group. A rolling agenda of business wide communications has commenced with the integration programme to ensure that employees are informed and kept updated throughout the process. This was largely completed in 2023 and will continue into 2024.

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

Dividends

Prior to the acquisition of the Company by the Altrad UK Group on 25th September 2022, a pre transaction reorganisation was undertaken with the aim to:

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

One of the steps undertaken as part of this pre transaction reorganisation in 2022 was the declaration of a dividend of £290.0m by the Company to its former parent, Doosan Power Systems SA, which was left outstanding on loan account. This loan balance was then, via formal agreement, set off against an aggregate of £290.0m receivables due from Doosan Power Systems SA.

The dividend was declared based on interim accounts. However following finalisation of the financial statements for the 12 months ended 31 December 2022 and consultation with the Company's legal advisors, the current directors consider that £48.7m of the dividend should be treated as being unlawful because the Company's available distributable reserves at the date of the dividend's declaration were lower than £290.0 million by this amount. Consequently, the set-off was not effective in full and as a result, the Company continues to hold a receivable due from Doosan Power Systems SA equivalent to the unlawful element of the dividend.

The current directors consider the likelihood of recovery of the receivable to be negligible and have therefore impaired that loan receivable to nil. The current directors continue to seek legal advice on the matter and are in discussions with the former shareholder Doosan Power Systems SA with a view to resolving the position.

Approved by the board of directors and signed on behalf of the directors on 31 May 2024.



John Walsh

Director

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Directors' report

For the 8 months ended 31 August 2023

The Directors present the annual report on the affairs of the Company, together with the audited financial statements and auditor's report, for the 8 months ended 31 August 2023. A commentary of future developments in the business, financial risk management objectives and policies, and exposure to price, credit, liquidity, cash flow risk and how the directors have had regard to the need to foster the Company's business relationships with all stakeholders and the effect of that are provided in the Strategic report.

In the prior year on 25th September 2022 the Company was sold to Altrad UK Group and a process started to integrate the Babcock group with the Altrad UK Group. On 27th September 2022, the Company name was changed from Doosan Babcock Limited to Altrad Babcock Limited. The Company shortened the current financial reporting period in order to align with the year end of the wider Altrad group.

Principal activities

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

Results and dividends

The net loss after taxation was £5.4m (2022: net loss £61.4m). No dividend was paid or declared during the period. For the year ended 31 December 2022 a non-cash dividend of £241.3m was declared in settlement of a loan receivable due from former parent company DPSSA, see note on page 8.

The Company's net assets at 31 August 2023 are £19.0m (2022: £24.5m).

Directors

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

John Walsh

Andrew Colquhoun

Cameron Gilmour Resigned 10th May 2023

Padraig Somers

Jonathan Gilmore Appointed 13th June 2023

Disabled employees

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

Directors' report (continued)

For the 8 months ended 31 August 2023

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 the Employees section of the Strategic report, page 7 for further details.

Directors' Indemnities

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

Going concern

The income statement result before tax has significantly improved in 2023, from a loss before tax in 2022 of £62m to only £8m in 2023, and there has been an increase in the cash balance at the reporting date to £45m (2022: £30m). However, the balance sheet position has deteriorated into a net current asset position of £0.4m (2022: £6.5m) and the net liability position overall has declined to £167m (2022: £127m).

The Company has carefully analysed its cash requirements up to 31 May 2025 using financial forecasts. This was undertaken with consideration to the effects of emerging geopolitical strains, inflation challenges and the potential effects of climate change. The Directors have concluded that the forecasts provide sufficient assurance that there will be liquidity headroom over this period even in the event of plausible downside scenarios, but that this may be reliant on continued financial support from the parent company in the form of the loan that has already been granted.

Accordingly, the Directors have requested and received from the parent undertaking, Altrad Investments Authority SAS ("AIA"), written confirmation of AIA's intention and ability to provide to such financial support as is necessary in order to allow the Company to meet its liabilities as they fall due, for the period to 31 May 2025.

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 8 months ended 31 August 2023

Streamlined Energy and Carbon Reporting (SECR) regulations

Altrad UK Ltd is committed to a zero carbon future. 2023 has been a year of transformation for Altrad with the major acquisition of Altrad Babcock. 2023 also saw formal, independent assessment to ISO14064, "Quantification and Reporting of Greenhouse gases" across the whole of Altrad UK. This formal process had previously been used within Altrad Babcock since 2012. Adopting the same process across the whole of Altrad UK now gives the company an independently verified baseline against which to compare future carbon emissions reduction measures. An annual Carbon Reduction Plan setting out these measures is published in April each year.

The carbon emissions quantification and reporting system used is verified by NQA to ISO14064 and the most recent assessment shows that the baseline against which to evaluate any future emissions reductions is as shown in the table below.

Altrad 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 SERC. Transport fuel includes fuel used in company-controlled vehicles. The methodology used is as per the ISO14064 standard (Quantification and Reporting of Greenhouse Gas Emissions) and the Greenhouse Gas Protocol.

The table below summarises all UK energy use and associated emissions in the period 1 September 2022 to 31 August 2023.

Energy Type	TCO ₂ eq	Litres	litres/tonne*	kg	kWh/kg*	kWh	% of Total (TCO ₂ eq)	% of Total (kWh)
Electricity (kWh)	1,115	-	-	-	-	5,384,906	42.2%	42.5%
Natural Gas (kWh)	811	-	-	-	-	4,433,282	30.7%	35.0%
Diesel (litres)	621	247,358	1,200.72	206,008	11.87	2,445,318	23.5%	19.3%
Petrol (litres)	40	19,041	1,338.07	14,230	12.00	170,765	1.5%	1.3%
Red Diesel (litres)	0	-	1,187.00	-	11.83	-	0.0%	0.0%
LPG (kg)	42	-	-	14,434	12.77	184,322	1.6%	1.5%
LPG (litres)	10	6,287	1,882.89	3,339	12.77	42,638	0.4%	0.3%
HVO	0	-	1,282.05	-	12.22	-	0.0%	0.0%
Hybrid (assume petrol)	0	-	1,338.07	-	12.00	-	0.0%	0.0%
Acetylene (kg)	0	-	-	-	-	-	0.0%	0.0%
Refrigerant (kg)	0	-	-	-	-	-	0.0%	0.0%
Total	2,639					12,661,231	100.0%	100.0%

As a comparison, below is energy use data from the previous year – previously measured 1 April to 31 March but now aligned to Altrad Financial year. Comparable though as contains full year.

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

Altrad Babcock carbon emissions have changed, both in absolute terms and relative to turnover (used as the intensity metric) as follows:

Year	2021-22	2022-23
TCO ₂ eq	3,720	2,639
Turnover (£M)	315	399
Ratio	11,814	6,615

Directors' report (continued)

For the 8 months ended 31 August 2023

Streamlined Energy and Carbon Reporting (SECR) regulations (continued)

Carbon emissions have reduced, primarily due to facility rationalisation and improvement (closure of Crawley, Gateshead, installation of LED lighting and improved building management systems) and reduced travel. A relative comparison can be made using turnover as an intensity metric. Figures above the ratio have also reduced, indicating an efficient use of energy.

The Altrad Executive Committee Team recognises the need to pursue carbon reduction ambitions and is committed to achieving net zero carbon emissions by 2040 through a De-carbonisation Policy. To achieve this the company Carbon Reduction Plan identifies specific areas and actions that need to be taken. These actions and progress towards the 2040 aim are reviewed regularly with short- and medium-term targets identified.

Further medium-term measures are planned and currently underway, including further facility rationalisation at Renfrew and Grangemouth, increased use of HVO and wider roll out of telematics.

Altrad Babcock now quantifies and reports its carbon emissions annually, from 1 September to 31 August each year as this aligns with Altrad UK company financial reporting requirements. Altrad Babcock had previously reported its carbon emissions from 1 April to 31 March each year and the 21-22 data above reflects this. However, this still allows a comparison to be made as each period constitutes a full year of reporting. The external independent verification period also aligns with these dates.

The revenue figure used in the ratio includes 4 months' revenue generated in the previous statutory reporting period (the year ended 31 December 2022), and the comparative figure includes the first 3 months' revenue from that year and the last 9 months from the year ended 31 December 2021. Management have disclosed 12 months' data in the current year in order to allow for comparability against future periods as this will align with the reporting periods going forward, starting from the year ended 31 August 2024.

Disclosure of information to the auditor

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

Statement of Corporate Governance arrangements

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

Board Leadership and Company Purpose

The Company's Board promotes the long-term success of the company for the benefit of key stakeholders and wider society. The company's purpose, values, and strategy are clearly specified and developed on a bottom-up basis based on project workload requirements. Workforce policies and procedures are aligned with the company's values and its long-term objectives. Budgets are prepared for 12 month periods ending August each year, aligning with the financial period of the group.

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

All directors and employees are required to comply with Code of Conduct requirements and complete mandatory annual Code of Conduct and associated anti-fraud and ethics 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 company is part of the wider Altrad group and adheres to its governance structures and policies. The directors are part of the Executive Committee (ExCo) which is responsible for the day to day operations of the company and for evaluating its performance. 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 8 months ended 31 August 2023

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.

Internal audit work is conducted as part of the Altrad Internal audit process.

The company seeks to fully comply with UK reporting standards FRS101 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 set in accordance with Altrad Group policies and 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 ExCo level review, supplemented further with HR Director & / or CEO approvals for local requests. All ExCo 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 31 May 2024.



John Walsh

Director

Registered Office:

6-7 Lyncastle Way

Barleycastle Lane

Appleton

Warrington

WA4 4ST

Registered in England No. 00839354

Directors' responsibilities

For the 8 months ended 31 August 2023

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 8 months ended 31 August 2023

Opinion

We have audited the financial statements of Altrad Babcock Limited (the 'company') for the period ended 31 August 2023 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, and the related notes 1 to 28, including material accounting policy information. 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 August 2023 and of its loss for the period 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 as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- We obtained the signed letter of support from the Parent to the Company and as set out in note 1, the Parent Company confirmed its intention and ability to provide unconditional financial support to the Company until 31 May 2025.
- We have assessed the Parent Company's ability to provide ongoing support to the Company by reviewing cash flow forecasts and confirmed that the Ernst & Young auditors of the Parent Company have considered the liquidity headroom for the group, considering the cash in hand and the forecast level of future cash generation. We noted from our review that the group is expected to generate positive cash flows and has the ability to withstand an unexpected significant reduction in revenues. We supplemented this assessment with an evaluation of the headroom on covenant restrictions and the extent to which adjusted EBITDA would need to decline before a breach of debt covenants would be triggered.
- We obtained and read key working papers prepared by the Ernst & Young auditors of the Parent Company and discussed with them to ensure we understood the forecasts, cashflows and borrowing facilities and the stress tests and challenges raised by the Ernst & Young auditors of the Parent Company on the forecasts prepared by management. We compared the forecast information to the latest available actual performance of the group.
- We obtained recent financial information for the Parent group and reviewed this, noting no indications that the group's financial performance is below expectations set at the date of the group's last annual financial statements.
- We considered the knowledge we obtained during our audit and did not identify any other conditions that had not already been considered by the Parent Company management in their going concern assessment.
- 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.

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a

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

For the 8 months ended 31 August 2023

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 14, 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.

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 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 and Hong Kong. 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:

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

For the 8 months ended 31 August 2023

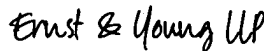
minutes of board meetings; Altrad group's code of conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations and correspondence with the United Kingdom and relevant overseas tax authorities;

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud. We gained an understanding of the entity level controls and policies that the Company applied being part of the Altrad group during the financial year.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. We enquired about any instances of non-compliance at the group or local level, and considered the impact of any such non-compliance upon our audit. We engaged internal legal specialists as required when designing and executing our audit procedures. Our procedures involved testing of journal entries, with a focus on first establishing what the normal posting patterns are for the key accounts, including revenue, and then investigating journals which fell outside the parameters established through our planning and risk assessment procedures. 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, to corroborate whether the postings have a valid business purpose and function. We designed and performed audit procedures to ensure that revenue was recognised in line with contractual terms and in the correct accounting period. We made enquiries of legal counsel and management, including review of Board meeting minutes and reports of the volume and nature of complaints received by the whistleblowing hotline during the year relevant to the Company. We remained alert for any inconsistency in our findings across the audit file and throughout the process. We remained alert for new information and ensured that our risk assessments included an assessment of any additional or altered risk factors, including our planned responses and findings.

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:

A376997A86854EE...

Tehseen Ali (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
31 May 2024

Income Statement

For the 8 months ended 31 August 2023

	Note	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Revenue	4	286,483	334,901
Cost of sales		(257,580)	(312,646)
Gross profit		28,903	22,255
Administrative expenses		(28,901)	(22,715)
Adjusted operating profit / (loss) *		2	(460)
Expected credit losses on receivables and contract assets	13.2/24.3	66	(1,637)
Defined benefit pension scheme expenses	6.4	-	(1,343)
Loss on settlement of pension scheme	6.4	-	(10,545)
Impairment of intercompany loan receivable from subsidiary	13	(2,054)	(11,538)
Impairment of loan receivable from former parent company		-	(48,706)
Restructuring costs	5.1	(2,025)	-
Office closure costs	5.1	(1,924)	-
Profit on surrender of leases		-	137
Expenses relating to industrial disease claims	16	(445)	(2,021)
Loss on disposal of property, plant and equipment		-	(16)
Other expenses		-	(11)
Operating loss		(6,380)	(76,140)
Finance income	7	2,109	19,701
Finance costs	7	(3,586)	(5,914)
Loss before tax		(7,857)	(62,353)
Taxation	8.1	2,417	929
Loss for the period		(5,440)	(61,424)

The notes on pages 22 – 54 form part of the financial statements.

All revenue and losses arose from continuing operations.

* Adjusted operating profit / (loss) 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 8 months ended 31 August 2023

	Note	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Loss for the year		(5,440)	(61,424)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial movement in retirement obligations	6.4/ 8.3	-	25,694
Income tax relating to items not reclassified to the income statement	17	-	(5,281)
		-	20,413
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(28)	(65)
Total Other comprehensive income for the year net of tax		(28)	20,348
Total comprehensive loss for the year		(5,468)	(41,076)

Statement of financial position

As at 31 August 2023

	Note	31 August 2023 £000	31 December 2022 £000
Non-current assets			
Intangible assets	9	1,364	1,718
Property, plant and equipment	10	1,805	1,906
Right of use assets	23.1	14,629	16,341
Investments in subsidiaries	11	-	-
Deferred tax assets	17	18,685	19,223
Derivative financial instruments		5	-
Trade and other receivables	13	8,500	5,518
		44,988	44,706
Current assets			
Inventories	12	502	385
Trade and other receivables	13	39,580	43,146
Contract assets	24.1	52,942	32,855
Derivative financial instruments		81	4
Current tax assets		2,945	-
Cash and cash equivalents		45,129	30,383
		141,179	106,773
Total assets		186,167	151,479
Current liabilities			
Trade and other payables	14	(106,116)	(77,055)
Contract liabilities	24	(17,332)	(12,048)
Borrowings	15	(11,399)	(7,264)
Derivative financial instruments		(211)	(71)
Provisions	16	(2,112)	(60)
Lease liabilities	23.2	(3,622)	(3,765)
		(140,792)	(100,263)
Net current assets		387	6,510
Non-current liabilities			
Deferred tax liabilities	17	(34)	(174)
Provisions	16	(11,722)	(9,867)
Lease liabilities	23.2	(14,634)	(16,722)
Retirement benefit obligations	6.4	-	-
		(26,390)	(26,763)
Total liabilities		(167,182)	(127,026)
Net assets		18,985	24,453
Equity			
Called up share capital	18	69,957	69,957
Other Reserves	020	(36)	(8)
Retained earnings	19	(50,936)	(45,496)
Total equity		18,985	24,453

The notes on pages 22 – 54 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 31 May 2024

Signed on behalf of the Board of Directors.



John Walsh
Director

Statement of changes in equity

For the 8 months ended 31 August 2023

	Called up share capital £000	Translation Reserve £000	Revaluation reserve £000	Retained earnings £000	Total £000
At 1 January 2022	261,957	13	44	(23,157)	238,857
Loss for the period	-	-	-	(61,424)	(61,424)
Other comprehensive (loss) / income for the period	-	(65)	-	20,413	20,348
Total comprehensive loss for the period	-	(65)	-	(41,011)	(41,076)
Shares issued during the period (Note 18)	68,000	-	-	-	68,000
Capital reduction (Note 18)	(260,000)	-	-	260,000	-
Non-cash dividend paid *	-	-	-	(241,328)	(241,328)
At 31 December 2022	69,957	(52)	44	(45,496)	24,453
Loss for the period	-	-	-	(5,440)	(5,440)
Other comprehensive losses for the period	-	(28)	-	-	(28)
Total comprehensive loss for the period	-	(28)	-	(5,440)	(5,468)
At 31 August 2023	69,957	(80)	44	(50,936)	18,985

* This dividend amounting to £290.0m was declared and paid on 22 September 2022, the amount has been reduced following the Directors' determination that it was unlawful – see the Strategic report for further details. This amounted to £148.20 per share, reducing to £123.31.

Notes to the accounts

For the 8 months ended 31 August 2023

1. General information

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

2. Accounting policies

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

2.1. Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101) and in accordance with applicable accounting standards.

The Company shortened the current reporting financial year end to 8 months in order to align with the August year end of the wider Altrad group.

The effect of updates to IFRS 17 and IAS 12 have been assessed and are not expected to have a material impact on the financial statements for the Company.

On 1st January 2023 the Company transitioned from UK-adopted IFRS to FRS101 for all periods presented. There were no material amendments on the adoption of FRS101.

The accounting policies which follow set out those policies which apply in preparing financial statements for the 8 months ended August 2023.

The Company has taken advantage of the following disclosure exemptions under FRS101:

- a) The requirements of IFRS7 *Financial Instruments: Disclosures*
- b) The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - (i) Paragraph 79(xiv) of IAS 1
 - (ii) Paragraph 73(e) of IAS16 *Property Plant and Equipment*
 - (iii) Paragraph 118(e) of IAS38 *Intangible Assets*
 - (iv) Paragraphs 76 and 79(d) of IAS40 *Investment Property*
- c) The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*
- d) The requirements of IAS7 *Statement of Cash Flows*
- e) The requirements of paragraphs 30 and 31 of IAS8 *Accountings policies, Changes in accounting estimates and Errors*
- f) The requirements of paragraph 17 of IAS24 *Related party disclosures*

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 or the contractually committed consideration to settle liabilities. The principal accounting policies adopted are set out below.

The Directors are of the opinion that for 2023 the consolidated financial statements of Altrad Investment Authority SAS are equivalent to financial statements drawn up in accordance with relevant EU directives and therefore entitle the Company not to produce consolidated financial statements under s401 Companies Act 2006. See note 28 for detail on how to obtain a copy of these financial statements.

2.2. Prior year adjustments

There were no prior year adjustments in either period.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

2. Accounting policies (continued)

2.3. Going concern

The income statement result before tax has significantly improved in 2023, from a loss before tax in 2022 of £62m to only £8m in 2023, and there has been an increase in the cash balance at the reporting date to £45m (2022: £30m). However, the balance sheet position has deteriorated into a net current asset position of £0.4m (2022: £6.5m) and the net liability position overall has declined to £167m (2022: £127m).

The Company has carefully analysed its cash requirements up to 31 May 2025 using financial forecasts. This was undertaken with consideration to the effects of emerging geopolitical strains, inflation challenges and the potential effects of climate change. The Directors have concluded that the forecasts provide sufficient assurance that there will be liquidity headroom over this period even in the event of plausible downside scenarios, but that this may be reliant on continued financial support from the parent company in the form of the loan that has already been granted.

Accordingly, the Directors have requested and received from the parent undertaking, Altrad Investments Authority SAS ("AIA"), written confirmation of AIA's intention and ability to provide to such financial support as is necessary in order to allow the Company to meet its liabilities as they fall due, for the period to 31 May 2025.

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

2.4. Intangible assets

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:

Software	3 to 7 years
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Amortisation of intangible assets is charged to the income statement.

2.5. 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.

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 or length of lease if applicable

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

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

2.6. Financial instruments

2.6.a. Impairment

IFRS 9 requires the Company to record expected credit losses on of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company has applied the simplified approach and record lifetime expected losses on all loans and receivables, trade receivables, retention receivables, amounts due from clients and bank balances. Intercompany receivables are considered separately as a different class of assets for the purposes of assessment as these are considered to be of lower risk.

2.6.b. Derivatives

The Company uses derivative financial instruments to tackle interest rate risk and hedge exposures to fluctuations in foreign currencies in accordance with its risk management policies. Commodity risk is managed through escalation clauses in client contracts.

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 remeasured 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.

2.6.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

Cash and cash equivalents comprises cash in bank and 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.

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

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.

2.6.d. Financial liabilities

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

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

Loans and borrowings

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

Trade and other payables

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

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

2. Accounting policies (continued)

2.6 Financial instruments (continued)

2.6.e. Foreign currencies

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

In preparing the branch 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.

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.

2.7. 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.

2.8. 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.

2.9. 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 expected to be received or otherwise settled within 12 months of the balance sheet date.

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. At each period end, the value recognised is adjusted to reflect the recoverable amount based on management's latest forecasts.

The value of taxable losses is recognised as a deferred tax asset to the extent they are considered recoverable against relevant future profits, either within the Company or within its tax group as far as group relief is available. 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

2. Accounting policies (continued)

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.

2.11. Revenue recognition

2.11.a. Principles

IFRS 15 establishes a five-step model to account for revenue arising from contracts with clients. Revenue from contracts with clients is recognised when control of the goods or services are transferred to the client at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the client. The Company does not generally provide warranties as a service.

2.11.b. Construction contracts

Certain construction contracts contain multiple goods and services, but these are not distinct in the context of the contract. It is therefore appropriate to combine the services into a single performance obligation. Related service contracts comprise maintenance, repair and overhaul services which are typically regarded as a single performance obligation. Revenue on contracts is determined using either a percentage of completion approach (for fixed fee contracts, where the Company commits to provide a service at an agreed upon price), or as contract cost plus a contractually agreed margin ("cost plus"), to best represent the transfer of services to the customer depending on the features of the arrangement.

The majority of the Company's contracts are cost plus an agreed margin. These include large, government-funded projects.

Services are satisfied over time given that the client simultaneously receives and consumes the benefits provided by the Company. Consequently, the Company recognises revenue from its construction contracts over time rather than at a point in 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. This includes scope changes on fixed fee contracts.

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 on fixed fee contracts are recognised in the Company income statement as an input to percentage-of-completion. This is because the benefits of the work performed are transferred to the customer at the same rate that the costs are incurred, with all work being performed on the customer site. As such, costs incurred to date is the best measure of percentage of work completed and therefore the amount of revenue to be recognised.

Judgements are made in determining the cost to fulfil a contract with a customer on fixed price contracts. These would include hourly rates to apply to labour, hours required to complete the contract and expected costs of materials based on market rates.

The advance payments for construction contracts are structured primarily for reasons other than the provision of finance to the Company, and they do not provide clients with an alternative to pay in arrears. In addition, the length of time between when the client pays and the Company transfers goods and services to the client is relatively short. Therefore, the Company has concluded that there is not a significant financing component within such contracts. Currently, the Company does not have any contracts where payments by client are over a number of years after the Company has transferred goods and services to the client; if such cases arise in future the transaction price for such contracts will be determined by discounting the amount of promised consideration using an appropriate discount rate.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

2. Accounting policies (continued)

2.11 Revenue recognition (continued)

2.11.b Construction contracts (continued)

Pre-contract/bid costs are recognised as an expense.

Contract assets and contract liabilities for individual projects are presented on a net basis. Billing schedules and bill rates are agreed with each customer for each project.

2.11.c. Sales (other than construction contracts) 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. Pension costs

Defined benefit scheme

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

Prior to transfer, the assets of the UK scheme were held separately from those of the Company. Contributions were based on periodic actuarial calculations and were charged so as to spread the cost of the pensions over the expected service lives of the employees who were members of the scheme. The 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 were measured using fair value. Pension scheme liabilities were 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 were recognised in full in the period in which they occur. They were recognised outside of the income statement and presented in comprehensive income.

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

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

Defined contribution scheme

The Company 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.

2.13. 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 accounts (continued)

For the 8 months ended 31 August 2023

2. Accounting policies (continued)

2.14. 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.

2.14.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 to 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 2.5).

2.14.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 shown separately on the face of the statement of financial position.

2.14.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 regular expense on a rental cost basis over the lease term.

2.14.d. 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 accounts (continued)

For the 8 months ended 31 August 2023

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

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. Long term provisions

Provisions include an amount of £9,867k (2022: £9,183k) relating to potential claims relating to industrial diseases for which the Company may be liable together with related legal costs. Due to the nature of these claims, it is not possible to predict precisely when these provisions will be utilised, but it is anticipated that, in the majority of cases, it would be in the medium term. Further, management are required to make an estimate as to the total volume of the claims.

3.2. 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.a. 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.

3.2.b. 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 expected future profits of the Company. If any such profits are deemed uncertain these have been excluded from the calculation and any impairment resulting from this would be reflected.

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.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

4. Revenue

4.1. Revenue by Destination

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
United Kingdom	279,688	322,101
Korea	-	2,480
France	1,977	3,398
Africa	2,069	-
Other	2,073	6,922
	286,483	334,901

4.2. Revenue by Origin

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
United Kingdom	286,483	331,503
France	4	3,398
Total	284,569	334,901

The majority of revenue in the Company originates from construction contracts and related services.

5. Operating result

5.1. The operating result is stated after charging / (crediting)

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Property, plant and equipment:		
Depreciation of owned assets	298	495
Right of use assets:		
Depreciation of leasehold assets	1,635	2,966
Investment properties:		
Depreciation of leasehold assets	-	973
Intangible assets:		
Amortisation of software	355	352
Trade and other receivables:		
Impairment of intercompany loan receivable from subsidiary	2,054	11,538
Restructuring costs	2,025	-
Office closure costs	1,924	-

5.2. Auditor's remuneration

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Audit of these financial statements	795	610
Audit of the Company's subsidiaries *	8	8

* This reflects the audit fees of subsidiaries Altrad Babcock Energy Services (Overseas) Limited £3k (2022: £3k) and Altrad Babcock Power Systems Overseas Investments Limited £5k (2022: £5k) which were borne by the Company.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

6. Employees and directors

6.1. Employee numbers and staff costs

	8 months to 31 August 2023	12 months to 31 December 2022 Restated *
Average monthly number of persons employed during the period (including directors employed):		
Production	2,296	2,215
Sales and administration	166	162
	2,462	2,377

* in 2023, management re-evaluated the method of determining the head count split for disclosure in the financial statements to more accurately reflect the work performed by the employees in each category. The prior year comparatives have been restated to be consistent with the revised approach

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Staff costs during the year (including directors employed):		
Wages and salaries	107,644	130,833
Social security costs	10,223	13,910
Other pension costs	3,066	12,995
	120,933	157,737

6.2. Pension disclosure

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
UK GPP	2,236	3,255
UK Stakeholder	830	809

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

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Directors' emoluments:		
Current pay and benefits	273	466
Post-employment benefits	14	11
Social security costs	34	170
	321	647

The aggregate emoluments of the highest paid Director were £168,557 (2022: £260,848). This included Pension contributions made by the Company of £11,772 (2022: £6,141) and £2,417 (2022: £3,557) of benefits in kind. There was no other remuneration for the highest paid director. (2022: Nil) None of the directors had any share options. Two of the directors received retirement benefits, these are included in the post-employment benefits noted above.

Certain directors of the company during the year were also directors of the current parent company Altrad UK Limited and current fellow subsidiaries. The remuneration of these directors was paid by the parent companies or fellow subsidiaries. The directors do not believe that it is practicable to apportion the amounts paid to these directors between their services as directors of the company and their services as directors of the parent and fellow subsidiary companies.

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

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

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 £3,066k (2022: £4,064k) and the accrued unpaid pension contribution was £255k (2022: £271k).

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

On 22nd September 2022 the scheme was transferred out of the Company up to former parent company Doosan Power Systems SA in return for reduction in the loan receivable from DPSSA of £8,464k as consideration. This represented the net deficit of the scheme as calculated at 31st August 2023 of £9,480k less the final payment made by the Company in to the scheme of £1,017k, this having been made on 16th September 2022. As a result of the transfer of the scheme, the Company has no further liability for its funding and accordingly has de-recognised the net deficit.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

6. Employees and directors (continued)

6.4. Post-retirement benefits (continued)

The major assumptions used by the actuary were:

	31 August 2023 £000	2022 £000
Financial assumptions:		22nd Sept 2023
Discount rate	-	5.10%
Rate of increase in pensionable salaries	-	N/A
RPI Min 3%, Max 5%	-	3.65%
RPI Max 5%	-	3.35%
RPI +2%, Max 5%	-	4.65%
Price Inflation assumption (and increases to pension in deferment)	-	3.70%
Demographic assumptions:		
Pre-retirement mortality (male/female)	-	105%/115% S3PMA/S3PFA, CMI 2020 +1.0% MI
Post-retirement mortality for non-pensioner members (male/female)	-	105%/115% S3PMA/S3PFA, CMI 2020 +1.0% MI
Post-retirement mortality for pensioner members (male/female)	-	105%/115% S3PMA/S3PFA, CMI 2020 +1.0% MI

The rates were chosen from a range of possible amounts determined using actuarial assumptions that due to the timescale covered may not necessarily be borne out in practice. The assets in the scheme at the time of transfer were:

	31 August 2023	2022
		% 22 nd September £000
Diversified growth fund		
SGIF Global Select Equity Fund	-	3.5% 11,092
SGMF Dynamic Fund	-	8.4% 26,664
Bonds		
SEI UK Property Fund	-	5.4% 17,216
SGMF Liquid Hedged Fund	-	1.1% 3,460
Return Fixed Income	-	43.3% 136,937
Risk Management Fixed Income	-	31.5% 99,496
Global Real Assets Fund	-	4.0% 12,500
Structured Credit Fund GBP Inst	-	1.8% 5,631
Cash		
SEI Cash	-	0.6% 1,147
Trustee bank account	-	0.4% 1,767
Total market value of assets	-	315,911
Present value of liabilities	-	(313,825)
Asset in scheme	-	2,086
Related deferred tax asset *	-	-
Net pension asset	-	2,086

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

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

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

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

6. Employees and directors (continued)

6.4. Post-retirement benefits (continued)

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Reconciliation of present value of plan liabilities and assets:		
Change in the present value of the defined benefit obligation:		
Opening defined benefit obligation	-	494,069
Interest cost	-	6,180
Actuarial gains arising from changes in Financial Assumptions	-	(174,017)
Benefits paid	-	(12,407)
Transfer of scheme out of the Company	-	(313,825)
Closing defined benefit obligation	-	-
Change in the fair value of plan assets:		
Opening fair value of plan assets	-	463,288
Interest income	-	5,831
Actuarial losses arising from changes to financial assumptions	-	(148,323)
Contributions by employer	-	8,865
Benefits paid	-	(12,407)
Other expenses	-	(1,343)
Transfer of scheme out of the Company	-	(315,911)
Closing fair value of plan assets	-	-
	2023	2022
	£000	£000
Net change in the present value of plan liabilities and assets:		
Opening deficit	-	30,781
Net interest expense	-	349
Net actuarial gains arising from changes in financial assumptions	-	(25,694)
Contributions by employer	-	(8,865)
Administrative expenses	-	1,343
Transfer of scheme out of the Company	-	2,086
Closing deficit	-	-
The expected pension contribution for the defined benefit scheme in 2024 is £Nil.		
Analysis of other comprehensive income:		
	2023	2022
	£000	£000
Actual return less than expected return on scheme assets	-	(148,323)
Changes in assumptions underlying the scheme liabilities	-	174,017
Net actuarial gains recognised in the period	-	25,694
Deferred tax charge	-	(5,281)
Actuarial gain net of tax	-	20,413
Net cumulative actuarial losses after tax	-	(65,089)
Expense recognised in the income statement:		
	2023	2022
	£000	£000
Net interest expense	-	349
Defined benefit pension scheme expenses	-	1,343
Total	-	1,692

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

7. Finance income and costs

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Interest income on bank deposits and similar income	478	-
Interest receivable on loans to parent and subsidiary undertakings	-	10,835
Foreign exchange gains	1,631	8,866
Total finance income	2,109	19,701
Interest payable	(183)	(1,575)
Interest expense on loan from parent company	(161)	(1,499)
Interest expense on loan from subsidiary undertakings	-	(583)
Unwinding of discounting	(160)	(217)
Interest charged under leases	(472)	(1,030)
Foreign exchange losses	(2,610)	(661)
Net finance cost on defined benefit scheme	-	(349)
Total finance cost	(3,586)	(5,914)
Net finance (expense) / income	(1,477)	13,787

8. Taxation

8.1. Tax (income) /charge

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Current tax:		
Current tax (Income) / charge on profits for the year	(2,610)	502
Adjustments in respect of prior periods	(358)	-
Total current tax (income) / charge	(2,968)	502
Deferred tax:		
Origination and reversal of temporary differences	586	(3,156)
Adjustment in respect of prior year	137	(270)
Withholding tax	(172)	(1,268)
Deferred tax on pension charge	-	3,263
Total deferred tax (income) / charge (Note 17)	551	(1,431)
Total tax (Income)	(2,417)	(929)

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

8. Taxation (continued)

8.2. Factors affecting tax charge for the year

The effective tax rate assessed for the period is higher (2022: lower) than the standard rate of corporation tax in the UK of 25% (2022: 19%). A blended rate has been applied for the period ended 31 August 2023 of 22.75%. The differences are explained below:

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Loss before tax	(7,857)	(62,353)
Tax loss before taxation at standard UK corporation blended tax rate of 22.75% (2022: 19%)	(1,787)	(11,847)
Tax effect of expenses that are not deductible in determining taxable profit	247	6
Tax losses (now recognised) / not recognised	(993)	(1,978)
Overseas tax	(24)	63
Impairment of intercompany loans not taxable	467	11,446
Loss on settlement of defined benefit pension scheme	-	2,004
Withholding taxes	(140)	(829)
Difference between rate applied and rate of deferred tax	(114)	210
Adjustment in respect of prior periods	(221)	(270)
Group relief	148	266
Tax credit for the period	(2,417)	(929)

There are tax losses of £7.9m (2022: £9.0m) which have not been recognised as a deferred tax asset due to recovery not being assessed as probable under IAS 12. See Note 17 for details.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Income taxes in the income statement are measured at 22.75% (blended average) and deferred taxes at the balance sheet date are measured at 25%.

8.3. Tax recognised in other comprehensive income

	Before tax £000	Tax charge £000	After tax £000
2023			
Translation of foreign operations	(28)	-	(28)
Total other comprehensive income	(28)	-	(28)
2022			
Relating to actuarial movement in retirement benefit obligations	25,694	(5,281)	20,413
Translation of foreign operations	(65)	-	(65)
Total other comprehensive income	25,629	(5,281)	20,348

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

9. Intangible assets

	Development expenditure £000	Software £000	Total
Cost			
At 1 January 2023	1,839	30,541	32,380
Foreign translation difference	-	(5)	(5)
Additions	-	6	6
Write off	(1,839)	-	(1,839)
At 31 August 2023	-	30,542	30,542
Amortisation			
At 1 January 2023	1,839	28,823	30,662
Amortisation during the year	-	355	355
Write off	(1,839)	-	(1,839)
At 31 August 2023	-	29,178	29,178
Net book value at			
31 December 2022	-	1,718	1,718
31 August 2023	-	1,364	1,364

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

10. Property, Plant and Equipment

	Land £000	Buildings £000	Plant and equipment £000	Total £000
Cost				
At 1 January 2023	60	2,803	62,636	65,499
Foreign exchange translation differences	-	-	(9)	(9)
Additions	-	-	201	201
Disposals	-	-	(17,006)	(17,006)
At 31 August 2023	60	2,803	45,822	48,685
Depreciation				
At 1 January 2023	-	2,456	61,137	63,593
Foreign exchange translation differences	-	-	(5)	(5)
Charge for the period	-	21	277	298
Disposals	-	-	(17,006)	(17,006)
At 31 August 2023	-	2,477	44,403	46,880
Net book value at				
At 31 December 2022	60	347	1,499	1,906
At 31 August 2023	60	326	1,419	1,805

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 accounts (continued)

For the 8 months ended 31 August 2023

11. Investments in subsidiaries

	Subsidiaries £000	Total £000
At 1 January 2022	44,636	44,636
Disposal of subsidiary *	(44,636)	(44,636)
At 31 December 2022 and 31 August 2023	-	-

* On 30th June 2022 Lentjes was transferred out of the ABL Group to the then parent company DPSSA because it was not within the perimeter of the sale of the group to Altrad UK Limited and hence was not owned by the Company upon completion of the sale. This transfer was effected at fair 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%).	AC	Ittihad Complex, Mussafah, Sector M-15 PLOT No 41 Abu Dhabi, UAE
Altrad Babcock Energy Services (Overseas) Limited	A	6-7 Lyncastle Way, Barleycastle Lane, Appleton, Warrington. WA4 4ST, England
Altrad Babcock Germany GmbH	A	Droßiger Weg 56, D-06188 Landsberg OT Hohenthurm, Germany
Altrad Babcock for Oil and Gas Services W.L.L (49%)	AD	3rd Floor, Tornado tower, West Bay, Post box 2038, Doha, State of Qatar.
Altrad Babcock America LLC	A	1050 Crown Pointe Parkway, Suite 1200, Atlanta, GA 30338, USA
Other subsidiary undertakings:		
Altrad Babcock Power Systems Overseas Investments Limited	B	6-7 Lyncastle Way, Barleycastle Lane, Appleton, Warrington. WA4 4ST, England

Notes on nature of business

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

B Holding company

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

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

The Company had the following indirect investments at the balance sheet date:

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

Notes on holdings

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

Notes on nature of business

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

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

12. Inventory

	31 August 2023 £000	31 December 2022 £000
Raw materials and consumables	557	549
Work-in-progress	12	12
Inventory allowance *	(67)	(176)
Total inventory	502	385

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

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

13. Trade and other receivables

13.1. Trade and other receivables

	31 August 2023 £000	31 December 2022 £000
Current:		
Trade receivables	24,557	30,491
Expected credit loss for trade receivables	(1,130)	(1,612)
Amounts owed by group undertakings *	737	77
Other taxes receivable	4,577	3,879
Other receivables	7,205	7,400
Prepayments	3,634	2,911
Total receivables	39,580	43,146

*Current element of loan receivable from Altrad Babcock Europe S.A (Poland) – see note ** below.

	31 August 2023 £000	31 December 2022 £000
Non - Current:		
Trade receivables	2,826	2,826
Expected credit loss for trade receivables	(2,826)	(2,826)
Amounts owed by the former parent company *	48,706	48,706
Provision against amounts owed by former parent company *	(48,706)	(48,706)
Amounts owed by subsidiary undertakings **	127,890	123,844
Expected credit loss for amounts owed by group companies	(119,390)	(118,326)
Total receivables	8,500	5,518

* The majority of the loan balance receivable from DPSSA was settled on 22nd September 2022 via dividend, but £48.7m remained outstanding due to part of the settlement dividend being regarded as unlawful. This balance was fully impaired as the probability of recovery is deemed negligible.

** All Intercompany loans receivable bore interest at the standard Altrad Group rate of 2.95%, this rate increased to 5.44% on 1st September 2023. Interest is payable every six months and the loans are repayable on demand. The only loan included within this balance which has not been impaired is the loan to subsidiary Altrad Babcock Europe S.A (Poland) which as a net balance of £6.7m, £0.7m of which was deemed current and is included in the table above. This loan is being repaid in instalments over the next 5 years.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

13. Trade and other receivables (continued)

Included in non-current receivables in the prior year were related party loans. Further details of these loans can be obtained from Note 26.

13.2. Expected credit loss allowance for receivables

	8 months to 31 August 2023	12 months to 31 December 2022
	£000	£000
Expected credit loss for trade receivables		
Balance as at 1 January	(4,438)	(3,448)
(Charged) / credited to the income statement:		
Decrease / (Increase) in expected credit loss	-	(990)
Unused amounts reversed	482	-
Applied	-	-
Balance at 31 August/December	(3,956)	(4,438)
Of which relates to:		
Trade receivables due <1 year	(1,130)	(1,612)
Trade receivables due >1 year	(2,826)	(2,826)
Balance at 31 August / December	(3,956)	(4,438)

The Directors consider that the carrying values of current trade and other receivables approximate their fair values. It is Company policy to protect against foreign currency risk on cash inflow, using forward contracts.

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.

	8 months to 31 August 2023	12 months to 31 December 2022
	£000	£000
Expected credit loss for intercompany receivables		
Balance as at 1 January	(167,032)	(107,963)
Charged to the income statement:		
Increase of provisions	(1,064)	(10,363)
Provision against loan receivable from former parent company	-	(48,706)
Balance at 31 August / December	(168,096)	(167,032)

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

13. Trade and other receivables (continued)

13.2. Expected credit loss allowance for receivables (continued)

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

	Trade Receivables £000	ECL Applied %	Expected credit loss £000	Not Impaired £000
31 August 2023				
Current	20,164	1.5%	297	19,867
Up to 3 months	3,266	0.7%	22	3,244
3 to 6 months	-	-	-	-
6 to 12 months	429	26.3%	113	316
Over 12 months	3,524	100.0%	3,524	-
Total	27,383	14.4%	3,956	23,427
Due in <1 year	24,557	4.6%	1,130	23,427
Due in >1 year	2,826	100.0%	2,826	-
31 December 2022				
Current	22,575	3.0%	687	21,888
Up to 3 months	6,175	1.5%	94	6,081
3 to 6 months	909	1.8%	16	893
6 to 12 months	54	68.5%	37	17
Over 12 months	3,604	100%	3,604	-
Total	33,317	13.3%	4,438	28,879
Due in <1 year	30,491	5.3%	1,612	28,879
Due in >1 year	2,826	100%	2,826	-

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

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

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

14. Trade and other payables

	31 August 2023	31 December 2022
	£000	£000
Trade payables	46,212	24,068
Amounts owed to group undertakings	8,375	5,236
Other payables including taxation and social security	17,784	19,903
Accruals	32,917	27,079
Deferred income	78	19
Subsidiaries called up share capital not paid	750	750
Total payables	106,116	77,055

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 63 days (2022: 67 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.

15. Borrowings

	31 August 2023	31 December 2022
	£000	£000
Current:		
Loans from Companies in the Parent Group *	11,399	7,264
Total borrowings	11,399	7,264

* This loan is from parent company Altrad UK Limited. Interest has been charged on this loan at standard Altrad Group rate of 2.95%. this rate increased to 5.44% on 1st September 2023. Interest is payable every 6 months and the loan is repayable on demand.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

16. Provisions

	Office closure costs £000	Industrial disease £000	Total non-current £000	Client claim £000	Office closure costs £000	Restructuring £000	Total current £000	Total £000
Balance at 1 January 2022	-	9,183	9,183	720	-	-	720	9,903
Income statement charge	-	2,021	2,021	-	-	-	-	2,021
Unwinding of discounting	-	217	217	-	-	-	-	217
Applied in the year	-	(1,554)	(1,554)	(660)	-	-	(660)	(2,214)
Balance at 1 January 2023	-	9,867	9,867	60	-	-	60	9,927
Income statement charge	1,602	445	2,047	-	1,434	927	2,361	4,408
Unwinding of discounting	-	160	160	-	-	-	-	160
Applied in the year	-	(352)	(352)	(60)	-	(249)	(309)	(661)
Balance at 31 August 2023	1,602	10,120	11,722	-	1,434	678	2,112	13,834

The industrial disease provision of £10.1m (2022: £9.9m) relates to potential claims for which the Company may be liable, together with related legal costs. These claims relate to employees who were working for the Company in a period prior to 1972 who were exposed to asbestos and are now suffering illnesses because 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 most 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 6.0% decreasing to 3.3% after 3 years and beyond with a discount rate of 2.2%.

17. 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 2022	3,308	(1,442)	6,820	5,485	6,755	1,828	22,754
(Charged) / credited to the income statement	655	1,268	(1,539)	(1,724)	2,946	(175)	1,431
Charged to other comprehensive income	-	-	(5,281)	-	-	-	(5,281)
Reclassification of R&D future tax benefit	-	-	-	-	-	145	145
At 31 December 2022	3,963	(174)	-	3,761	9,701	1,798	19,049
(Charged) / credited to the income statement	91	140	-	(1,881)	1,103	(4)	(551)
(Charged) to other comprehensive income	-	-	-	-	-	-	-
Reclassification of R&D future tax benefit	-	-	-	-	-	153	153
At 31 August 2023	4,054	(34)	-	1,880	10,804	1,947	18,651
At 31 December 2022							
Deferred tax assets	3,963	-	-	3,761	9,701	1,798	19,223
Deferred tax liabilities	-	(174)	-	-	-	-	(174)
	3,963	(174)	-	3,761	9,701	1,798	19,049
At 31 August 2023							
Deferred tax assets	4,054	-	-	1,880	10,804	1,947	18,685
Deferred tax liabilities	-	(34)	-	-	-	-	(34)
	4,054	(34)	-	1,880	10,804	1,947	18,651

Deferred tax asset has been recognised in respect of tax losses and other temporary differences because it is probable that these assets will be recovered. In considering their recoverability, the Company assesses the likelihood of their being recovered within a reasonably foreseeable timeframe of 5 years taking into account current forecasts of expected profits of the Company, a plan to relieve losses to other UK Companies in the Altrad group, and any potential legislative restrictions on use. The Company has a business plan to achieve these profits and has demonstrated its ability to carry this out through significant improvement in performance at both the revenue and operating result levels. This business plan, improved near term outlook and a strong order book forecasts utilisation of these losses. The estimates take account of the inherent uncertainties constraining the expected level of profit and any changes in these estimates will affect future profits and therefore the period of recoverability of the deferred tax assets. The tax losses for which no deferred tax asset has been recognised amounts to £32.8m (2022: £36.5m).

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

17. Deferred tax (continued)

* In 2022 the deferred tax asset relating to the Pension deficit was written off as the deficit was transferred out of the Company.

18. Share capital

	31 August 2023 £000	31 December 2022 £000
Called up, allotted and fully paid		
Ordinary shares of £1	69,957	69,957

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

All shares are classed as equity.

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

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

19. Retained earnings

	£000
Balance at 1 January 2022	(23,157)
Loss for the year	(61,424)
Share Capital Conversion	260,000
Dividend Paid	(241,328)
Actuarial gain on post-employment obligations	25,694
Deferred tax debit thereon	(5,281)
Balance at 31 August 2023	(45,496)
Loss for the year	(5,440)
Balance at 31 August 2023	(50,936)

20. Other Reserves

	Translation £000	Revaluation £000	Total £000
Balance at 1 January 2022	13	44	57
Currency translation differences	(65)	-	(65)
Balance at 1 January 2023	(52)	44	(8)
Currency translation differences	(28)	-	(28)
Balance at 31 August 2023	(80)	44	(36)

21. Capital commitments

The company has no capital commitments.

22. 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 alleged to have been suffered by them on work performed by the Company. The Company does not believe the claim has any foundation and is extremely unlikely to be successful. As such no provision has been made in the financial statements.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

23. 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.

23.1. Right of use assets

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

	Buildings £000	Motor Vehicles £000	Total £000
Cost			
Balance at 1 January 2023	22,095	1,840	23,935
Additions	-	219	219
Disposals	(308)	(197)	(505)
Balance at 31 August 2023	21,787	1,862	23,649
Depreciation			
Balance at 1 January 2023	6,412	1,182	7,594
Charge for period	1,407	228	1,635
Disposals	(12)	(197)	(209)
Balance at 31 August 2023	7,807	1,213	9,020
Net book value at			
31 December 2022	15,683	658	16,341
31 August 2023	13,980	649	14,629

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

23. Leasing (continued)

23.2. Lease liabilities

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

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Balance at 1 January	20,487	28,801
Additions	219	654
Accretion of interest	472	1,030
Termination of Crawley lease	-	(4,558)
Write off on termination of lease	(300)	(210)
Payments	(2,622)	(5,230)
Balance at 31 December	18,256	20,487
Current	3,622	3,765
Non-Current	14,634	16,722

23.3. Items recognised in income statement

The following are the amounts recognised in the income statement:

	8 months to 31 August 2023 £000	12 months to 31 December 2022 £000
Depreciation expense of right of use assets	1,635	2,966
Depreciation expense of investment property	-	973
Interest expense on lease liabilities	472	1,030
Expense relating to Short-Term Leases	42	24
Expense relating to leases of low-value assets (included in administrative expenses)	96	109
Total amount recognised in income statement	2,245	5,102

The Company had total cash outflows for leases of £2,760k in 2023 (2022: £5,339k). The Company also had non-cash additions to right-of-use assets and lease liabilities of £219k in 2023 (2022: £654k).

23.4. Extensions and terminations

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

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

	<1 year £000	1-5 years £000	>5 years £000	Total £000
Reduction if termination options expected not to be exercised	72	548	-	621

There are no commitments on leases not started at the period end.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

24. Construction contracts in progress

24.1. Contract Balances

	31 August 2023	31 December 2022
	£000	£000
Amounts due from Clients for contract work		
Contract assets (unbilled revenue)	56,798	36,309
Expected credit loss for contract assets	(3,856)	(3,454)
Net Contract Assets	52,942	32,855
Trade receivables (billed revenue)	27,383	33,317
Expected credit loss for trade receivables	(3,956)	(4,438)
Contract liabilities (payments in advance)	(17,332)	(12,048)
	59,037	49,686

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

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

The increase in contract assets at the end of August 2023 versus the balance in December 2022 reflects the high levels of activity in the summer outage season along with a general increase in volume and turnover from nuclear work and the Drax projects.

In respect of trade receivables, a gain of £482k (2022: £990k loss) was recognised in respect of a change in the provision against trade receivables. No further profit (2022: £Nil) was recognised against trade receivables directly in the income statement due to unused amount reversed.

In respect of contract assets, a loss of £416k (2022: £647k loss) was recognised in respect of an increase in the provision against contract assets.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

24. Construction contracts in progress (continued)

24.2. Contract and revenue disclosure

	31 August 2023	31 December 2022
	£000	£000
Transaction price allocated to remaining performance obligations (order book) *	668,438	729,930
Revenue recognised in the reporting period that was included in the contract liability balance at the start of the period	7,529	5,628

* 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 most of this revenue will be recognised within the next 10 years.

24.3. Contract Asset expected credit loss provision

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

	31 August 2023	31 December 2022
	£000	£000
Contract Asset expected credit loss provision movement		
Balance as at 1 January under IFRS 9	(3,454)	(2,807)
(Charged) / credited to the income statement:		
Additional expected credit loss	(416)	(647)
Applied	14	-
Balance at 31 August / December	(3,856)	(3,454)

25. Investment Property

	Leasehold properties
	£000
Cost	
Balance at 31 December 2022 and 31 August 2023	-
Depreciation	
Balance at 31 December 2022 and 31 August 2023	-
Net book value at	
31 December 2022	-
31 August 2023	-

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

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

26. Related party transactions

26.1. Subsidiary undertakings

Receivables and payables

	31 August 2023	31 December 2022
	£000	£000
Receivables		
Amounts owed by Altrad Babcock Energy Germany GmbH	-	778
Amounts owed by Altrad Babcock Europe S.A. (Poland) *	6,705	2,020
Amounts owed by Altrad Babcock Power Systems Overseas Investments Limited (ABPSOIL) **	-	-
Amounts owed by Altrad Babcock Oil and Gas W.L.L	2,532	2,722
Amounts owed by Doosan Babcock General Maint Services L.L.C. ***	-	-
Total receivables	11,004	5,520
Payables		
Amounts owed to Altrad Babcock Energy Services (Overseas) Limited	855	675
Amounts owed to Altrad Babcock Europe S.A. (Poland)	-	224
Total payables	855	899

* This balance consists of a loan receivable, which has been impaired from its full value of £7,762k

** The Company has a loan receivable of £71,496k from this subsidiary which has been impaired to zero because it is not believed that its only asset, Altrad Babcock Europe S.A. has sufficient future cash flows to enable it to repay the loan

*** The Company has a total receivable of £46,837k from this entity, but the balance has been fully impaired to zero because it is not believed this company has sufficient future cash flows to enable to repay this loan.

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

26. Related party transaction (continued)

26.1 Subsidiary undertakings (continued)

Income and costs from subsidiary undertakings

	8 months to 31 August 2023	12 months to 31 December 2022
	£000	£000
Income		
Altrad Babcock Europe S.A. (Poland)	214	-
Altrad Babcock for Oil and Gas services W.L.L. (Qatar)	8	580
Doosan Babcock General Maint Services L.L.C.	5	1,076
Altrad Babcock America LLC	39	264
Total income	266	1,920

	8 months to 31 August 2023	12 months to 31 December 2022
	£000	£000
Costs		
Altrad Babcock Energy Germany GmbH	89	-
Altrad Babcock Europe S.A. (Poland)	-	115
Altrad Babcock for Oil and Gas services W.L.L. (Qatar)	200	139
Total costs	289	254

Finance income and costs from subsidiary undertakings

	8 months to 31 August 2023	12 months to 31 December 2022
	£000	£000
Finance income		
Doosan Babcock General Maint Services L.L.C.	1,342	1,772
Altrad Babcock Overseas Investments Limited	1,383	2,119
Altrad Babcock Oil and Gas W.L.L.	-	231
Total finance income	2,725	4,122
Finance costs		
Doosan Lentjes GmbH (former subsidiary in 2022)	-	583
Total finance costs	-	583

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

26. Related party transaction (continued)

26.2. Former Parent Group Entities (Doosan)

Receivables and payables from former parent group entities

The Company ceased to be part of the Doosan Group on 25th September 2022 when it was sold to the Altrad group. At that moment all Doosan companies ceased to be related parties to the company and so there were no related party balances at either period end.

Income and costs from other former parent group entities

Only transactions up to 25th September 2022 are included here as from that moment the Doosan companies ceased to be a related party

	8 months to 31 August 2023	12 months to 31 December 2022
	£000	£000
Income		
Doosan Enerbility Corporation	-	2,897
Doosan Power Systems S.A.	-	1,387
Doosan Information and Communications Europe Limited	-	134
Total income	-	4,418
Costs		
Doosan Enerbility Corporation	-	1,887
Doosan Information and Communications Europe Limited	-	8,959
Total costs	-	10,846

Finance income and costs from other group entities

	8 months to 31 August 2023	12 months to 31 December 2022
	£000	£000
Finance income		
Doosan Power Systems S.A.	-	6,673
Total finance income	-	6,673
Finance cost		
Doosan Enerbility Corporation	-	968
Total finance cost	-	968

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

26. Related party transaction (continued)

26.3. Current Parent Group Entities (Altrad)

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

On Completion, Altrad UK Limited loaned £74,733k to the Company, which was used to settle the Standard Chartered Bank loan, of £25,106k, pay off the Overdraft and provide working capital to the Company. On 22nd December 2022 £68,000k of the balance was converted to share capital, leaving a balance of £7,264k still due at the end of 2022. In June 2023 an additional loan of £4,650k was granted, £160k of interest (2022: £138k) was incurred during the period and £675k of interest was paid in cash.

Receivables and payables from parent group entities

	31 August 2023	31 December 2022
	£000	£000
Receivables		
Altrad Services Limited	194	38
Total receivables	194	38
Payables		
Altrad Investment Authority	1,676	-
Hertel Beheer BV	4,490	-
Altrad Motherwell Bridge Limited	-	24
Altrad Support Services Limited	295	297
Altrad Services Limited	3,760	13
Altrad Engineering Services Limited	-	121
Altrad York Linings Limited	10	10
Total payables	10,221	464

Income and Costs from parent group entities

	8 months to 31 August 2023	12 months to 31 December 2022
	£000	£000
Income		
Altrad Services Limited	2,324	145
Total Income	2,324	145
Costs		
Altrad Investment Authority	1,676	-
Hertel Beheer BV	4,490	-
Altrad Motherwell Bridge Limited	195	2,008
Altrad Support Services Limited	2,376	2,770
Altrad Services Limited	10,494	3,525
Altrad Engineering Services Limited	475	121
Altrad York Linings Limited	-	33
Total Costs	13,540	8,456

Notes to the accounts (continued)

For the 8 months ended 31 August 2023

26. Related party transaction (continued)

26.4. Joint operations

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

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

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

27. Subsequent events

There were no subsequent events relevant to disclose in these financial statements.

28. Ultimate parent company and controlling party

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

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

Appendix

For the 8 months ended 31 August 2023

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 Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101). The Company considers that these KPIs, which are not a substitute for or superior to FRS101 measures, provide stakeholders, with additional useful information by defining new measures to aid the understanding of the Company’s financial performance, financial position and cash flows.

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

KPI	Description	Closest FRS101 Measure	Adjustments required to reconcile to closest IFRS Measure	Rationale for adjustments
Cash Flow	Measures cash flow from the operation of the business and cash management	Movement in Cash balance from the previous year	Calculated as the movement in cash balance from the previous year, with any movements arising from financing deducted. The financing takes the form of intercompany loans granted by the parent company and to subsidiary companies.	Granting of loans is not a reflection of performance of the business
Adjusted EBITDA	Measure of earnings from business operations, with depreciation and amortisation cost added back	Operating Profit	Starts with adjusted operating profit from the income statement the definition of which can clearly be seen there. This is then adjusted to remove the effects of IFRS16, depreciation and amortisation. All costs relating to the restructuring of the business and hence non-recurring and also excluded.	Adjusted operating profit is a key measure of the underlying performance of the business. IFRS16 is not included in measuring the performance of the business as this is handled separately by Group. Depreciation/Amortisation is seen as a fixed cost not affected by business performance and so this cost is added back

Reconciliation of Adjusted EBITDA to Statutory Income statement

	2022 £000	2021 £000
Adjusted operating profit	2	(460)
Remove effect of IFRS16	(549)	(2,014)
Exclude non-recurring costs	9,677	-
Depreciation	298	495
Amortisation	356	352
Adjusted EBITDA	9,784	(1,627)

Reconciliation of Cash flow KPI

	2022 £000	2021 £000
Opening Cash balance	30,383	638
Closing cash balance	45,129	30,383
Cash inflow	14,746	29,745
Loans (Granted by)/ repaid to parent group companies	(4,650)	(49,627)
Loans granted to/ (repaid by) subsidiary group companies	4,382	(519)
Free Cash Flow	14,478	(20,401)