

Bilfinger UK Limited

Report and Financial Statements

31 December 2019

Registered No: 5384376



Bilfinger UK Limited

Registered No: 5384376

Directors

D Harcus
P Maurer
N J O'Keeffe
M R Perry

Auditors

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

Bankers

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

Solicitors

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

Registered Office

Wilson House
Kelburn Court
Daten Park
Birchwood
Warrington
WA3 6UT

Strategic report

The Directors present their strategic report for the year ended 31 December 2019.

Business review

Turnover and loss on ordinary activities before taxation are £179,550,000 (2018: £155,615,000) and £15,275,000 (2018: profit of £348,000) respectively. After a tax credit of £2,630,000 (2018: £109,000) the loss of £12,645,000 (2018: profit of £457,000) has been transferred to reserves.

A dividend of £Nil (2018: £3,510,000) was paid during the year.

In the year ended 31 December 2019, turnover increased due to the combination of the activities of Bilfinger UK Limited and Bilfinger Industrial Automation Services Limited following the combination of the two entities during 2018. There have been a number of significant projects undertaken in the year and activity continues on framework contracts. The reduction in operating profit is due to implementation costs associated with new ERP and HR systems and costs associated with the activity of combining the operations of Bilfinger UK Limited and Bilfinger Industrial Automation Services Limited. In addition there were a number of one off loss making projects that significantly impacted the company during 2019. These projects have been thoroughly reviewed and new processes and procedures put in place going forward to manage the risk profile of the projects undertaken and return the company to a profitable position.

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

Safety performance continues to be on a strong and positive trend, with all performance metrics being outperformed.

Key performance indicators (KPIs)

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

Principal risks and uncertainties

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

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

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

The global Coronavirus pandemic in 2020 and its potential to limit the ability of the workforce to move freely, and their ability to perform work on client sites poses a risk to the company. There is also the wider impact on the economy, customer spend and the oil price that is a significant risk. Further potential waves of the virus provide continued uncertainty and the Board have processes in place to constantly monitor this risk and take appropriate action to protect both the workforce and the business.

Section 172

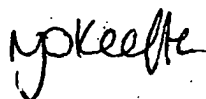
New legislation affecting the Company came into effect for reporting periods on and after the 1st January 2019 whereby the Board is required to explain how they have taken account of stakeholder views when making decisions that impact the company and consequently, its stakeholders. In the following section, the Company detail the key stakeholders and summarise their interests, how the board has engaged with them and the decisions that have been made as a result of engagement.

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

Stakeholder	Introduction	Engagement	Outcome
Suppliers	The supply chain process is imperative to any business and it is important that we communicate our expectations clearly with suppliers so as to create a smooth and efficient process and the required on time delivery.	The Company have a robust supply chain management process and consult closely with quality management and health and safety in order to acquire superior products and services as part of the Company's offering. The supplier has to go through a rigorous process in order to become an approved vendor and there are various requirements to be met and discussions before entering into a contract.	The Company strives to gain the best supply chain offering while retaining quality products and services whilst remaining cost effective. The Company has started the digitalisation project to streamline the vendor approval process and make it more efficient and strive towards a paperless process.
Regulatory Bodies	Executive management and employees engage with government bodies and regulators on a regular basis.	The Company engage with various organisations regarding changes in legislation such as Brexit and changes to IR35. The Company have developed constructive relationships with regional, national and multinational bodies to make sure we are compliant but also take advantage of any schemes to optimise the business.	At the date of signing, the Company has taken advantage of government schemes in relation to the COVID-19 while remaining in close contact with government bodies to remain compliant. IR35 changes have been postponed and the UK is currently in the transition phase of Brexit.
Communities and the Media	The Company recognise that the community and the media have a strong link to the business, branding and its products and services.	The Company are in constant communication with the media to keep the community informed and build on local trust. The Company are committed to developing a local skillset as well as remaining aware of its Corporate Social Responsibilities on all levels.	The Company have created a Corporate Social Responsibility Committee where such matters are discussed. The Company partner with national and local charities, nominated by employees, in order to give back to the community and ensure measures are in place to add value to the community and the business.

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

By order of the Board



Nicola O'Keeffe
Director
30 March 2021

Directors' report

The directors present their report and financial statements for the year ended 31 December 2019.

Results and dividends

The loss for the year, after taxation, amounted to £12,645,000 (2018: profit £457,000). Dividends of £Nil were paid in the year (2018: £3,510,000).

Disabled employees

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

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

Employee involvement

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

Modern Slavery Act

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

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

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

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

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

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

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

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

Directors' report (continued)

Health and safety

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

Directors

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

P J Amesbury (resigned 31 December 2019)

D M Hall (resigned 22 January 2019)

D Marcus (appointed 1 January 2020)

J Liedl (appointed 22 January 2019, resigned 1 January 2020)

N J O'Keeffe (appointed 20 July 2020)

P Maurer

M R Perry

Going concern

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

The directors have reviewed the profit and cashflow forecasts for the period to 30 April 2022 in detail and also have prepared a five year plan, which has enabled them to conclude that the business is a going concern. The future workload is underwritten by key long term contracts and the recent impact of the coronavirus has enabled the directors to right size the business to safeguard the Company's future. Lessons have been learnt from prior year project losses and new processes and procedures put in place and further sensitivity analysis has been prepared based only on current secured work. The order book for 2021 and beyond is strong with additional potential for other opportunities.

Based on these assumptions the Company is expected to generate positive cashflows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having consulted with and obtained written assurances of continuing support from Bilfinger SE, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern for the period to 30 April 2022. Therefore, despite the net current liabilities position of £23,731,000 reported at 31 December 2019, on the basis of their assessment of the Company's financial position and of their enquiries made of Bilfinger SE, the directors have adopted the going concern basis of accounting in the preparation of these financial statements. Details of banking arrangements for Bilfinger SE may be found in its own financial statements.

Disclosure of information to the auditors

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

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

Directors' report (continued)

Subsequent Events

The impact of COVID-19 on the future outlook of the business is set out in note 26 to the financial statements. No other material events have occurred since the statement of financial position date that would affect the financial statements of the company.

Auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the board



Nicola O'Keeffe
Director
30 March 2021

Directors' Responsibilities Statement

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

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

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

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

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

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

Opinion

We have audited the financial statements of Bilfinger UK Limited for the year ended 31 December 2019 which comprise the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter

We draw attention to note 2a and note 26 of the financial statements which describe the impact of Covid-19 on the Company. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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

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

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 8, 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.

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.

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

Use of our report

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

Ernst & Young LLP

Anne Wong (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
30 March 2021

Income statement

For the year ended 31 December 2019

	<i>Notes</i>	<i>2019</i> £000	<i>2018</i> £000
Turnover	3	179,550	155,615
Cost of sales		(174,633)	(140,710)
Gross Profit		4,917	14,905
Administrative expenses – normal		(19,245)	(8,152)
Administrative expenses - exceptional	5	-	(6,234)
Administrative expenses – total		(19,245)	(14,386)
Operating (Loss) / Profit	4	(14,328)	519
Interest payable	9	(947)	(171)
(Loss) / Profit on ordinary activities before taxation		(15,275)	348
Tax credit	10	2,630	109
(Loss) / Profit for the financial year		(12,645)	457

All activities relate to continuing operations.

Statement of Comprehensive Income

For the year ended 31 December 2019

	<i>2019</i> £000	<i>2018</i> £000
(Loss) / Profit for the financial year	(12,645)	457
Other Comprehensive Income	-	-
Total Comprehensive (Expense)/ Income	(12,645)	457

Statement of changes in equity

For the year ended 31 December 2019

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss account</i>	<i>Total Equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2018	117	2,281	25,108	27,506
Total Comprehensive Income	-	-	457	457
Share based payment	-	-	41	41
Dividends paid (note 11)	-	-	(3,510)	(3,510)
At 31 December 2018	117	2,281	22,096	24,494
Total Comprehensive Expense	-	-	(12,645)	(12,645)
Share based payment	-	-	43	43
At 31 December 2019	117	2,281	9,494	11,892

Share capital

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

Share premium

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

Profit and loss account


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

Statement of financial position

at 31 December 2019

		2019	2018
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Fixed assets			
Tangible assets	12	11,200	12,688
Intangible assets	13	4,819	4,994
Right-of-use assets	14	4,445	-
Investments	15	18,886	18,886
		<u>39,350</u>	<u>36,568</u>
Current assets			
Trade and other receivables	16	71,686	49,582
Cash at bank and in hand		1,018	762
		<u>72,704</u>	<u>50,344</u>
Current liabilities			
Trade and other payables	17	96,435	62,197
Net current liabilities		<u>(23,731)</u>	<u>(11,853)</u>
Total assets less current liabilities		15,619	24,715
Non-current liabilities			
Lease liabilities	18	3,727	-
Deferred tax liabilities	19	-	221
Net assets		<u>11,892</u>	<u>24,494</u>
Capital and reserves			
Share capital	22	117	117
Share Premium		2,281	2,281
Profit and loss account		9,494	22,096
Equity shareholder's funds		<u>11,892</u>	<u>24,494</u>

The financial statements were approved for issue by the board on 30 March 2021.


 Nicola O'Keeffe
 Director

Notes to the financial statements

at 31 December 2019

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

The financial statements of Bilfinger UK Limited (the "Company") for the year ended 31 December 2019 were authorised for issue by the board of directors on 22 March 2021 and the balance sheet was signed on the board's behalf by Nicola O'Keeffe. Bilfinger UK Limited is incorporated and domiciled in England and Wales.

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

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

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

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

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

2. Accounting policies

a. Basis of preparation and going concern

The Company has prepared accounts in accordance with FRS 101 for all periods presented. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2019.

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

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

Notes to the financial statements

at 31 December 2019

2. Accounting policies (continued)

a. Basis of preparation and going concern (continued)

The directors have reviewed the profit and cashflow forecasts for the period to 30 April 2022 in detail and also have prepared a five year plan, which has enabled them to conclude that the business is a going concern. The future workload is underwritten by key long term contracts and the recent impact of the coronavirus has enabled the directors to right size the business to safeguard the Company's future. Lessons have been learnt from prior year project losses and new processes and procedures put in place and further sensitivity analysis has been prepared based only on current secured work. The order book for 2021 and beyond is strong with additional potential for other opportunities.

Based on these assumptions the Company is expected to generate positive cashflows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having consulted with and obtained written assurances of continuing support from Bilfinger SE, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the company to continue as a going concern for the period to 30 April 2022. Therefore, despite the net current liabilities position of £23,731,000 reported at 31 December 2019, on the basis of their assessment of the Company's financial position and of their enquiries made of Bilfinger SE, the directors have adopted the going concern basis of accounting in the preparation of these financial statements.

Details of banking arrangements for Bilfinger SE may be found in its own financial statements.

b. Changes to accounting policies and disclosures

New and amended standards and interpretations adopted by the Company

The impact of new standards effective 1 January 2019 was as follows:

IFRS 16 'Leases'

IFRS 16 became effective on 1 January 2019 and has changed how the company accounts for its lease contracts. The Company adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1st January 2019. Accordingly the comparative information presented for 2018 has not been restated.

The company leases its Head Office building and also leases other buildings, vehicles, and IT equipment. Prior to the adoption of IFRS 16, certain lease contracts were classified as operating leases. IFRS 16 requires all contracts that contain a lease to be recognised on the balance sheet as a right-of-use asset and lease liability. Only certain short-term and low-value leases are exempt.

The right-of-use asset is depreciated over the lease term and is subject to impairment testing. The lease liability represents the net present value of the lease payments to be made over the remaining lease period.

The company has elected to use the recognition exemptions in the standard for short-term leases and leases of low value items such as computers and office equipment. The company also applied the recognition exemption for leases that expire in 2019 which in the main relate to motor vehicle leases.

Notes to the financial statements

at 31 December 2019

b. Changes to accounting policies and disclosures (Continued)

IFRS 16 'Leases' (continued)

The effect of adoption of IFRS 16 at 1 January 2019 (increase/(decrease)) was as follows:

	£000
Assets	
Right of use assets	5,082
Total Assets	5,082
Liabilities	
Lease liabilities	5,082
Total Liabilities	5,082

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	£000
Operating lease commitments as at 31 December 2018	5,938
Commitments restricted to 5 years	(332)
Short term / low value leases	(90)
Impact of discounting as at 1 January 2019*	(434)
Lease liabilities as at 1 January 2019	5,082

*The weighted average incremental borrowing rate applied varied between 1-2.5% depending on category of lease.

c. Judgements and key sources of estimation uncertainty

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

Revenue recognition of maintenance contracts

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

Operating lease commitments

The Company has entered into leases as a lessee and as such it obtains the use of property, plant and equipment. The classification of such leases prior to January 2019 as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

Notes to the financial statements

at 31 December 2019

c. Judgements and key sources of estimation uncertainty (continued)

Leases - Estimating the incremental borrowing rate

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

The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the Company's stand-alone credit rating).

There were no sources of significant estimation uncertainty.

d. Significant accounting policies

Foreign currency translation

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

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

Exceptional Items

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

Investments

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

Intangible Assets

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

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

Notes to the financial statements

at 31 December 2019

d. Significant accounting policies (continued)

Intangible Assets (continued)

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

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

Software	25%
Other	12.5%

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

Intangible assets are assessed for impairment wherever there is an indication that the intangible asset may be impaired.

Tangible fixed assets

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

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

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

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

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

Impairment of non-financial assets

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

Notes to the financial statements

at 31 December 2019

d. Significant accounting policies (continued)

Provisions for liabilities

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

Leases

Prior to January 2019, assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, were capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments were apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases were depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset were classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

From 1 January 2019, IFRS16 replaced the previous standard. In accordance with IFRS16, a lessee has to recognise a right-of-use asset and a lease liability for basically all leases.

i) Right-of-use assets

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

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

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. Refer to the accounting policies in section "Impairment of non-financial assets".

(ii) Lease liabilities

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

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

Notes to the financial statements

at 31 December 2019

d. Significant accounting policies (continued)

Leases (continued)

(ii) Lease liabilities (continued)

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

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade and other receivables

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

Cash at bank and in hand

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

Income taxes

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

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

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

Pensions and other post-employment benefits

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

Notes to the financial statements

at 31 December 2019

d. Significant accounting policies (continued)

Revenue recognition

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

Construction contracts

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

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

Maintenance contracts

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

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

3. Turnover

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

4. Operating (loss)/profit

This is stated after charging:

	2019	2018
	£000	£000
Depreciation of tangible fixed assets	2,884	2,571
Amortisation of intangible assets	202	159
Depreciation of right-of-use assets	851	-
Auditor's remuneration	65	54

Notes to the financial statements

at 31 December 2019

5. Administrative Expenses - Exceptional

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Recognised in arriving at the operating profit from continuing operations:		
Reorganisation costs	-	6,234

During 2018 the company incurred costs of £6,234,000 relating to system implementation and compliance costs.

6. Auditors remuneration

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

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Audit of the financial statements	65	54

7. Staff costs

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	84,749	82,250
Social security costs	9,502	8,954
Staff pension contributions (note 25)	1,851	1,080
	<u>96,102</u>	<u>92,284</u>

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

	<i>2019</i>	<i>2018</i>
	<i>No.</i>	<i>No.</i>
Administration	396	235
Operations	1,436	1,359
	<u>1,832</u>	<u>1,594</u>

Notes to the financial statements

at 31 December 2019

8. Directors' remuneration

	2019	2018
	£000	£000
Directors' remuneration	628	745
Compensation for loss of office	-	4
Company contribution to money purchase pension schemes	32	42
	<u>660</u>	<u>791</u>

The remuneration of the highest paid director was £291,884 (2018 - £243,000) and pension contributions of £nil (2018 - £nil).

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

	2019	2018
	No.	No.
Money purchase pension schemes	<u>2</u>	<u>3</u>

9. Interest payable

	2019	2018
	£000	£000
Lease interest – Right-of-use asset	110	-
To other group undertakings	837	171
	<u>947</u>	<u>171</u>

10. Taxation

	2019	2018
	£000	£000
Tax credit in the income statement		
<i>Current Income Tax:</i>		
Payments in respect of group relief	(2,384)	(284)
Amounts under provided in previous years	(3)	100
Total current income tax	<u>(2,387)</u>	<u>(184)</u>
<i>Deferred Tax:</i>		
Origination and reversal of temporary differences	(340)	352
Impact of change in tax laws and rates	-	(37)
Tax over provided in previous years	97	(240)
Total deferred tax	<u>(243)</u>	<u>75</u>
Tax credit in the income statement	<u>(2,630)</u>	<u>(109)</u>

Notes to the financial statements

at 31 December 2019

10. Taxation (continued)

(a) Reconciliation of the total tax charge

The tax expense in the income statement for the year is higher than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019 £000	2018 £000
(Loss) / Profit on ordinary activities before taxation	(15,275)	348
Tax calculated at UK standard rate of corporation tax of 19% (2018: 19%)	(2,902)	66
Expenses not deductible for tax purposes	52	2
Tax under / (over) provided in previous years	94	(140)
Deferred tax asset not provided	86	-
Deferred tax rate adjustment	40	(37)
Total tax credit reported in the income statement	(2,630)	(109)

- Change in Corporation Tax rate

Finance Act 2016 was substantively enacted on 6 September 2016. This Act included provisions reducing the main rate of UK corporation tax to 17% from 1 April 2020. Accordingly, the relevant deferred tax balances have been measured using the rate of 17%. The deferred tax rate asset using the rate of corporation tax that is expected to be in force of 19% is £25,000 rather than the £22,000 provided. There is a further deferred tax asset of £86,000 that has not been recognised.

11. Dividends made and proposed

	2019 £000	2018 £000
Final dividend for 2019: £nil per share (2018: £30 per share)	-	3,510

Notes to the financial statements

at 31 December 2019

12. Tangible assets

	<i>Leasehold Improvements</i>	<i>Assets Under Construction</i>	<i>Plant and equipment</i>	<i>Fixtures and fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£000	£000	£000	£000	£000	£000
<i>Cost:</i>						
At 1 January 2019	45	754	20,091	1,632	239	22,761
Transfers	609	(754)	-	145	-	-
Additions	18	14	713	743	-	1,488
Disposals	-	-	(269)	-	(56)	(325)
At 31 December 2019	672	14	20,535	2,520	183	23,924
<i>Depreciation:</i>						
At 1 January 2019	3	-	8,698	1,160	212	10,073
Charge for period	91	-	2,464	316	13	2,884
Disposals	-	-	(177)	-	(56)	(233)
At 31 December 2019	94	-	10,985	1,476	169	12,724
<i>Carrying amount:</i>						
At 31 December 2019	578	14	9,550	1,044	14	11,200
At 31 December 2018	42	754	11,393	472	27	12,688

Notes to the financial statements

at 31 December 2019

13. Intangible assets

	<i>Goodwill</i>	<i>Computer Software</i>	<i>Other</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>				
At 1 January 2019	4,603	505	430	5,538
Additions	-	27	-	27
At 31 December 2019	<u>4,603</u>	<u>532</u>	<u>430</u>	<u>5,565</u>
<i>Amortisation:</i>				
At 1 January 2019	-	431	113	544
Amortisation during the year	-	43	159	202
At 31 December 2019	<u>-</u>	<u>474</u>	<u>272</u>	<u>746</u>
<i>Carrying amount:</i>				
At 31 December 2019	<u>4,603</u>	<u>58</u>	<u>158</u>	<u>4,819</u>
At 1 January 2019	<u>4,603</u>	<u>74</u>	<u>317</u>	<u>4,994</u>

Notes to the financial statements
at 31 December 2019

14. Right-of-use assets

	<i>2019</i>	<i>2018</i>
	<i>£000</i>	<i>£000</i>
Leasehold Property	4,012	-
Motor Vehicles	313	-
IT Hardware	120	-
	<u>4,445</u>	<u>-</u>

	<i>Leasehold Property £000</i>	<i>Motor Vehicles £000</i>	<i>IT Hardware £000</i>	<i>Total £000</i>
<i>Cost:</i>				
At 31 December 2018	-	-	-	-
IFRS 16 adjustment	4,685	221	176	5,082
	<u>-</u>	<u>227</u>	<u>-</u>	<u>227</u>
Additions	-	227	-	227
Depreciation	(673)	(122)	(56)	(851)
Disposals	-	(13)	-	(13)
At 31 December 2019	<u>4,012</u>	<u>313</u>	<u>120</u>	<u>4,445</u>

Notes to the financial statements

at 31 December 2019

15. Investments

	2019	2018
	£000	£000
a) Investment in subsidiaries	18,886	18,886
b) Details of Group Undertakings		

Details of the investment in which the Company holds 20% or more of the nominal value of any class of share capital at 31 December 2019 are as follows:

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

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

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

	2019	2018
	£000	£000
Amounts recoverable under contracts (contract assets)	32,224	25,174
Trade debtors	32,420	20,598
Amounts owed by group undertakings	3,511	282
Corporation tax	1,028	1,121
Deferred tax	22	-
Other debtors	324	2,019
Prepayments and accrued income	2,157	388
	<u>71,686</u>	<u>49,582</u>

The impairments recognised on trade debtors with IFRS9 for 12 months expected credit losses developed as follows:

	2019	2018
	£000	£000
As at 1 January	798	-
Provision for expected credit losses	401	798
As at 31 December	<u>1,199</u>	<u>798</u>

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

Notes to the financial statements
at 31 December 2019

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

	2019	2018
	£000	£000
Trade creditors	18,898	8,438
Amounts owed to group undertakings	63,684	38,337
Other creditors	1,805	3,408
Other taxation and social security costs	9,848	7,390
Corporation tax	56	-
Lease liabilities	791	-
Accruals and deferred income	1,353	4,624
	<u>96,435</u>	<u>62,197</u>

18. Lease liabilities

	2019	2018
	£000	£000
As at 1 January (on adoption of IFRS 16)	5,082	-
Additions	227	-
Accretion of Interest	111	-
Disposals	(13)	-
Payments	(889)	-
	<u>4,518</u>	<u>-</u>
Current	791	-
Non-current	3,727	-

Notes to the financial statements

at 31 December 2019

19. Deferred tax (assets)/liabilities

	2019	2018
	£000	£000
Accelerated capital allowances	230	425
Other timing differences	(252)	(204)
	<u>(22)</u>	<u>221</u>
The potential liability for deferred tax is provided in full.		
	£000	£000
Deferred tax provided at start of year	221	147
Release from statement of comprehensive income	(243)	74
Deferred tax provided at end of year	<u>(22)</u>	<u>221</u>

20. Capital commitments

The Company had capital commitments amounting to £nil as at 31 December 2019 (31 December 2018 - £nil).

21. Obligations under operating leases

The Company has applied IFRS 16 (Leases) from 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative impact of applying the new standard is recognised in retained earnings at the date of initial application. For more details on the impact of IFRS 16 (leases) refer to the accounting policies section in note 2 to the accounts.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>		<i>Other</i>	
	2019	2018	2019	2018
	£000	£000	£000	£000
Operating leases which expire:				
Not later than one year	-	834	-	194
After one year but not more than five years	-	2,746	-	122
After five years	-	2,093	-	-
	<u>-</u>	<u>5,673</u>	<u>-</u>	<u>316</u>

Notes to the financial statements

at 31 December 2019

22. Share capital

	2019	2018
	£000	£000
<i>Authorised</i>		
200,000 Ordinary shares of £1 each	200	200
	<u>200</u>	<u>200</u>
	2019	2018
	£000	£000
<i>Allotted, called-up and fully-paid</i>		
117,000 Ordinary shares of £1 each	117	117
	<u>117</u>	<u>117</u>

23. Contingent liabilities

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

24. Off-balance sheet arrangements

There are no material off-balance sheet arrangements.

25. Pension schemes

The Company contributes to a number of defined contribution pension schemes. The total pension cost for the year was £1,851,000 (2018: £1,080,000).

26. Post balance sheet event

After the balance sheet date, the Company has faced significant disruptions and restrictions as a result of the COVID-19 (coronavirus) outbreak and the impact on the global economy. This situation is exacerbated by the drop in oil prices in the first half of 2020.

The Company reacted quickly to the outbreak and put in place various measures to safeguard the business by taking advantage of the coronavirus job retention scheme put in place by the UK government and furthermore conducting a restructuring process and various cost saving measures.

Management determined that COVID-19 is a non-adjusting event and as such no adjustment has been made with respect of such event, however the Company continues to monitor and assess the impact of COVID-19 on the recoverability of long-term assets, intercompany and trade receivables and as of the date of the financial statements, such impact remains uncertain.

27. Ultimate group undertaking

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

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

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