Registration number: 00786418

Costain Oil, Gas & Process Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

Costain Oil, Gas & Process Limited

Contents

Costain Oil, Gas & Process Limited

Company Information

Directors	A J Vaughan
	D R Taylor
	W J Clements
	S M White
Company secretary	N Geoghegan
Registered office	Costain House Vanwall Business Park Maidenhead Berkshire SL6 4UB
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Costain Oil, Gas & Process Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their report for the year ended 31 December 2022.

Principal activity
The principal activity of the company is the delivery, to its Energy and Defence customers of a broad range of specialist capabilities across their midstream, downstream and power activities. The Company is part of the Costain Group PLC.

Fair review of the business
Revenue for the year was £25.8 million (2021: -£24.9million)

Operating loss was £1.5 million (2021: operating loss £52.1 million).

Loss before tax was £2.3m (2021: loss before tax £52.5m).

Total shareholders' deficit increased in the year to £59.9 million (2021: deficit of £57.0 million).

On 24 February 2022, Costain announced that it had reached a full and final settlement with National Grid. The settlement agreement brought an end to the dispute and prevents any further claims under the contract. Costain made a full and final payment of £43.4m to National Grid in the first quarter of 2022. Related legal and other costs of £4.2m were also incurred and expensed during the year ending 31 December 2021.

Fiancial risk management
The Costain Group's centralised treasury function manages financial risk, principally arising from liquidity and funding risks and movements in foreign currency rates and interest rates, for all companies within the Group in accordance with policies agreed by the directors. Additional information on the Group's financial risk management can be found in the consolidated group financial statements of Costain Group PLC copies of which are publicly available.

Operational review
The energy division has shown good growth, increasing by 9.7% in FY22 on the prior year. Our contract with Cadent, managing the mains replacement across the East of England, our Project Controls contract with EDF and our nuclear decommissioning contract with Sellafield continue to perform strongly. We have performed well in energy resilience and are building our position in energy transition.

Defence supports several public and private sector organisations, in a variety of customer-side, delivery partnership roles, across the UK defence nuclear enterprise. Reported and adjusted revenue increased by £15.5m, 36.6% on the prior year, driven by a growth in demand for support within our current delivery partnership roles, with Babcock and the Atomic Weapons Establishment (AWE). In both contracts, we work alongside the customer, as a construction delivery partner, delivering major infrastructure projects, providing expertise in design and construction management, and the coordination of the work of several subcontractors.

We also provide ongoing support to the Defence Nuclear Organisation (DNO), helping it develop portfolio management capabilities and developing its programme definition for future infrastructure requirements. We provide customer-side support to BAE Systems, in the form of portfolio management expertise on the Dreadnought programme, to replace the Royal Navy's Trident missile Vanguard Submarines. We are currently well positioned across the defence nuclear enterprise, supporting the UK's Continuous at Sea Deterrent (CASD), and our ambition is to be the delivery partner of choice for the Ministry of Defence's (MoD) strategic infrastructure needs.

To maximise the potential for growth, we have combined our Defence and Nuclear activities, bringing together capability for the division in a more operationally efficient and effective structure. From H1 23 we will report revenue reflecting the new Natural Resources structure for the Water, Defence, and the Nuclear and Energy sectors, as we progress our activity within the energy transition market.
Throughout FY22 we have strengthened our core strategy to support the development of the industrial clusters throughout the UK, spearheaded by our delivery for bp on the track 1 net zero contract at Teesside (part of the East coast cluster) and we continue to work on the track 2 schemes including the Acorn carbon capture and storage scheme in St Fergus, Scotland.

We have seen growth in project delivery and opportunities in supporting our long-standing petrochemical customers in decarbonising their midstream operations through large scale energy switching engineering projects, including hydrogen generation and transportation.

As part of our regional focus, which includes the delivery of the South Wales Industrial Cluster, we won an energy transition project, H2Juice, with Dwr Cymru Welsh Water, Wales and West Utilities which uses hydrogen to decarbonise carbon-intensive industries and was funded by BEIS.

Outlook
Looking ahead, we see further opportunities for growth across Energy, supporting decarbonisation, and in Defence where we are broadening our market position to cover all strategic defence and security infrastructure.

Engaging with our stakeholders
The paragraphs below show how the directors have performed their duty under Section 172 Companies Act 2006 to have regard to various stakeholder factors. The Costain Group tries to have consistent policies in effect across its operating subsidiaries as and where relevant.

Employees
• Board members took part in several site visits and attended virtual meetings with colleagues.
• We held two leadership impact days where our people stopped their usual activities and took part in discussions related to the day's themes.
• We conducted a Group-wide people survey.
• We convened our quarterly employee forum, Your Voice.
• We launched a series of live divisional quarterly briefings for all employees.
• We refreshed our new joiner induction programme and annual code of conduct compliance training for all employees.

Shareholders
• Our Annual General Meeting (AGM) was again broadcast live. Questions could be asked before the meeting.
• We issued other regular announcements and streamed webcasts to accompany results announcements.
• We wrote to our largest shareholders describing the Directors'Remuneration Report in the 2021 annual report and later in the year on the proposal for the remuneration policy renewal.
• Since appointment, the chair has been meeting with major investors to discuss their views on the Company and receive feedback.
• The investor relations director has also dealt with shareholders on an ad hoc basis during the year on issues including the new chair appointment and the pension fund.

Clients
• We conducted customer satisfaction surveys for individual projects to help monitor our performance.
• The Board received presentations from the divisional managing directors on major customers and from the Infrastructure Projects Authority on trends and ambitions in the construction industry.
• We took our customers on site visits to flagship projects, helping to showcase our capabilities and the quality of work across our portfolio.
• We attended strategic customer events.
• We attended a number of events with industry associations including the Hydrogen Summit.
• Visits to customers were undertaken by members of the leadership team with strong CEO and CFO customer engagement.
• In April, our 3,500 people, site teams, customers and suppliers came together on one of our leadership impact days to discuss increasing inclusion, receiving positive feedback across our stakeholders.

Supply chain
• Our supply chain managers provide a crucial link with suppliers, developing strong, enduring relationships to seek out the best solutions for our customers.
• We continue to seek opportunities to liaise with our supply chain at the earliest possible moment, providing and developing our customer solutions.
• We held another virtual intake to our supply chain academy, training SME businesses on a variety of topics including corporate responsibility, inclusive practices and carbon.
• We facilitated a series of supplier engagement sessions focused on alignment of their wellbeing, inclusion, safety, environmental and ethical business alignment to our ESG commitments.

Communities and Environment
• Costain's community relations continues to be recognised by the Considerate Constructors Scheme, averaging 45.5 compared to the industry average of 39.7 (out of 50). Every contract has an individual or team responsible
• for community/stakeholder relations.
• We use digital tools to help us keep our neighbours informed of our work, with inclusive and accessible communications.
• To ensure we are abreast of the societal issues affecting our neighbours, Costain has five senior leaders serving as regional board members for Business in the Community (BITC) and Catherine Warbrick is member of the Prince's Trust's Built Environment Group.

Further information on how the directors have had regard to the need to foster Costain Group PLC's and the company's business relationships with suppliers, customers and others, and the effect on the principal decisions taken by Costain Group PLC and the company during the financial year, are included within the consolidated group financial statements of Costain Group PLC copies of which are publicly available.

Principal risks and uncertainties
The principal risks and uncertainties facing the ultimate parent company, Costain Group PLC, and its ability to achieve its strategic objectives are set out below. Additional information on these principal risks, including controls and key mitigations, can be found in the consolidated group financial statements of Costain Group PLC copies of which are publicly available.

Title	What is the Risk?
Failure to prevent a major accident, hazard, or incident.	Costain operates in natural, complex and hazardous environments. Failure to manage the inherent risk and hazards, including pandemics, may result in illness, loss of life or significant damage to the environment. Failure to manage this risk could result in reputational damage, loss of business and financial penalties.
Failure to increase the profitability and margin performance of the Group	The effective implementation of our strategy is critical to the Group's ability to increase profitability and margin performance of the Group and effectively align our services to meet the changing needs of our clients. Failure to manage this risk could have an adverse effect on our business, operating results, and shareholder value.
Failure to maintain a strong balance sheet.	A strong balance sheet is a fundamental requirement to qualify for and support the contract sizes and duration required by our clients. Failure to manage this risk could affect our ability to achieve our business goals and our resilience to withstand economic downturns.
Failure to secure new work.	Our future growth and profitability is dependent on our ability to secure new work in our competitive marketplace. To be successful we need to maintain strong customer relationships and broaden our service offering by delivering innovative solutions across complex delivery, digital and consulting activities.
Failure to attract and transform the skills, capabilities and competence of our resources	The successful implementation of our strategy is dependent on our ability to attract and retain talent, grow the capabilities of our employees and maintain a high-performing, ethical and inclusive culture where our team can be at their best.
Failure to deliver projects effectively.	Failure to enter into contracts that are aligned with our risk appetite or deliver projects to the agreed time, budget and quality could result in financial loss, regulatory and contractual breaches and loss of reputation with our clients and investors.
Failure to manage the legacy defined benefit pension scheme.	Failure to manage the legacy defined benefit pension scheme so that the liabilities are within a range appropriate to our capital base and do not adversely impact our balance sheet.
Failure to ensure that our technology is robust, our systems are secure and our data protected.	Our ability to enable safe, secure, and resilient business operations (including finding, winning, and delivering work supported by efficient corporate services) is dependent on the delivery of our core IT strategy. The delivery of this strategy is also key to our ability to safely and securely acquire, host, use, and dispose of Costain, client, and third-party data.
Failure to anticipate and respond to changes in client circumstances.	We have seen changes in the business operations and investment priorities of our core clients and clients challenged by ever evolving policy, funding, operational and regulatory changes. Failure to anticipate the changes that are affecting our clients and respond effectively, could restrict our ability to grow margins and increase market share.
Failure of climate change resilience	The risk that we lack the resilience to survive and thrive amid the impacts of climate change on a local, national and international level.

Approved by the Board on 16 June 2023 and signed by its order by:

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N Geoghegan
Company secretary

Costain Oil, Gas & Process Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Directors of the company
The directors of the company who were in office during the year and up to the date of signing the financial statements were:

A J Vaughan

M D Hunter (resigned 18 March 2022)

D R Taylor

W J Clements (appointed 18 March 2022)

S M White (appointed 18 March 2022)

Dividends
The directors do not recommend the payment of a dividend for the year ended 31 December 2022 (2021: £Nil).

Diversity
Apart from ensuring that an individual has the ability to carry out a particular role, the company does not discriminate in any way. The company endeavours to retain employees if they become disabled, making reasonable adjustments to their role and, if necessary, looking for redeployment opportunities within the company and Costain Group PLC. The company also ensures that training, career development and promotion opportunities are available to all employees irrespective of gender, race, age or disability.

Employee involvement
The Costain group provides information to its employees both of a general company nature and to encourage awareness of financial and economic factors, which affect the company in various ways. These include regular videos and updates from the Chief Executive and other senior managers, a Costain online news service, information via our electronic mail system, circulation of press releases, management briefings on company results, a report to employees on the annual financial statements of the Group and annual pension scheme reports. Participation and involvement are encouraged through regular management meetings with employees.

Environmental matters
We are mindful of the macro-economic backdrop and market conditions due to the pandemic, and wider economic and geopolitical challenges, and we continue to monitor and work to mitigate headwinds in commodity and energy costs, as well as challenges in the supply chain.

Future developments
The directors do not expect any significant changes to the principal activities of the company in the foreseeable future.

Objectives and policies

The Company's operations expose it to a variety of financial risks, including the effects of credit risk, liquidity risk, cash flow risk and interest rate risk. The policies to mitigate the potential impact of these financial risks are set by the directors, who monitor their effectiveness on a monthly basis.

Where appropriate, credit checks are made prior to the acceptance of a new customer and these are reviewed on a periodic basis together with ongoing checks in respect of existing customers. Reviews of the debtors ledger are carried out with the finance teams and action initiated, as appropriate, to collect any overdue amounts, thus optimising the company's liquidity position. The rates of interest earned or paid on the Group's cash balances and loans are monitored by the Costain Group's central Treasury team and projections of future cash requirements are reviewed by the directors and the treasury team. Deposits and loans are made with reference to these facilities, in conjunction with projections of future cash requirements.

The Costain Group actively maintains an appropriate level of cash reserves that are available for operations and planned expansions of the Group as a whole. The Group ensures that sufficient cash reserves are made available to its subsidiary undertakings.

Additional information on the Group's financial risk management can be found in the consolidated group financial statements of Costain Group PLC copies of which are publicly available.

Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2022, the directors are required to consider whether the company can continue in operational existence for the foreseeable future. The directors have concluded that after having received an undertaking from Costain Group PLC that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company, it is appropriate to adopt the going concern basis in preparing these financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are are also 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.

Disclosure of information to the auditors

The directors confirm that, so far as they are aware, there is no relevant audit information (as defined in Section 418 of the Companies Act 2006) of which the company's external auditors are unaware and that 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 external auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Reappointment of independent auditors

The independent auditors PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 16 June 2023 and signed by its order by:

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N Geoghegan
Company secretary

Independent auditors' report to the members of Costain Oil, Gas & Process Limited

Report on the audit of the financial statements

Opinion

In our opinion, Costain Oil, Gas & Process Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Income Statement, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Health and Safety, Data Protection laws and relevant construction legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the potential posting of inappropriate journal entries to manipulate financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of the financial statement disclosures to underlying supporting documentation;
- Assessment of matters reported in the Group's whistleblowing helpline and the results of the management's investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly in relation to contract accounting; and
- Identifying and testing journal entries, in particular any journals entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Andrew Johns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 June 2023

Costain Oil, Gas & Process Limited

Income Statement
for the year ended 31 December 2022

	Notes	2022 £	2021 £
Revenue	4, 5	25,751,850	(24,913,653)
Cost of sales		(22,605,135)	(20,988,755)
Gross profit/(loss)		3,146,715	(45,902,408)
Administrative expenses		(6,355,019)	(6,594,996)
Other operating income	6	1,714,700	365,975
Operating loss	4, 7	(1,493,604)	(52,131,429)
Finance costs	11	(821,261)	(419,895)
Loss before tax	4	(2,314,865)	(52,551,324)
Tax on loss	12	(576,143)	13,641,108
Loss for the financial year		(2,891,008)	(38,910,216)

The above results were derived from continuing operations.

2021 revenue includes a reversal relating to the Peterborough & Huntingdon contract (see note 4 for more details).

Costain Oil, Gas & Process Limited

Statement of Comprehensive Income
for the year ended 31 December 2022

	2022 £	2021 £
Loss for the financial year	(2,891,008)	(38,910,216)
Total comprehensive expense for the year	(2,891,008)	(38,910,216)

The notes on pages 18 to 37 form an integral part of these financial statements.

Costain Oil, Gas & Process Limited

(Registration number: 00786418)
Statement of Financial Position
as at 31 December 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	293,454	309,707
Property, plant and equipment	14	42,993	81,670
		336,447	391,377
Current assets			
Trade and other receivables	16	22,771,996	26,893,758
Cash and cash equivalents	17	7,735,449	5,264,575
		30,507,445	32,158,333
Creditors - amounts falling due within one year	18	(27,330,695)	(26,145,616)
Net current assets		3,176,750	6,012,717
Total assets less current liabilities		3,513,197	6,404,094
Creditors - amounts falling due after more than one year	18	(63,436,347)	(20,036,347)
Provisions for liabilities	19	-	(43,399,889)
Net liabilities		(59,923,150)	(57,032,142)
Equity			
Called up share capital	20	35,500,001	35,500,001
Share premium account		1,512,393	1,512,393
Accumulated losses		(96,935,544)	(94,044,536)
Total shareholders' deficit		(59,923,150)	(57,032,142)

The financial statements on pages 14 to 37 were approved by the board of directors on 16 June 2023 and signed on its behalf by:

DocuSigned by:
Warren Clements
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W J Clements

Director

Costain Oil, Gas & Process Limited

Statement of Changes in Equity
for the year ended 31 December 2022

	Called up share capital £	Share premium account £	Accumulated losses £	Total shareholders' deficit £
At 1 January 2022	35,500,001	1,512,393	(94,044,536)	(57,032,142)
Loss for the financial year	-	-	(2,891,008)	(2,891,008)
Total comprehensive expense	-	-	(2,891,008)	(2,891,008)
At 31 December 2022	35,500,001	1,512,393	(96,935,544)	(59,923,150)

	Called up share capital £	Share premium account £	Accumulated losses £	Total shareholders' deficit £
At 1 January 2021	35,500,001	1,512,393	(55,134,320)	(18,121,926)
Loss for the financial year	-	-	(38,910,216)	(38,910,216)
Total comprehensive expense	-	-	(38,910,216)	(38,910,216)
At 31 December 2021	35,500,001	1,512,393	(94,044,536)	(57,032,142)

The notes on pages 18 to 37 form an integral part of these financial statements.

Costain Oil, Gas & Process Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The company is a private company limited by share capital, incorporated in the United Kingdom and domiciled in England.

The address of its registered office is:
Costain House
Vanwall Business Park
Maidenhead
Berkshire
SL6 4UB
United Kingdom

These financial statements were authorised for issue by the board on 16 June 2023.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements are prepared on the historical cost basis, except that derivative financial instruments are stated at their fair value.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

The company is a wholly-owned subsidiary of Costain Group PLC and is included in the consolidated financial statements of Costain Group PLC, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment which the company operates. The financial statements are presented in 'pounds sterling' (£), which is also the company's functional currency.

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons.

The company has net liabilities of £59,923,150 (2021: net liabilities of £57,032,142) and is dependent for its working capital on funds provided to it by Costain Group PLC, the company's ultimate parent undertaking. Costain Group PLC has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the company.

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2022, the directors are required to consider whether the company can continue in operational existence for the foreseeable future. The directors have concluded that after having received an undertaking from Costain Group PLC that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company, it is appropriate to adopt the going concern basis in preparing these financial statements.

2 Accounting policies (continued)

Summary of disclosure exemptions
In these financial statements, the company has taken advantage of the disclosure exemptions available under FRS 101

(a) The requirements of IAS 1 to provide a Balance Sheet at the beginning of the year in the event of a prior year adjustment;

(b) The requirements of IAS 1 to provide a Statement of Cash flows for the year;

(c) The requirements of IAS 1 to provide a statement of compliance with IFRS;

(d) The requirements of IAS 1 to disclose information on the management of capital;

(e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;

(f) 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;

(g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;

(h) The requirements of IFRS 7 to disclose financial instruments;

(i) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs;

(j) IAS 7, 'Statement of Cash Flows';

(k) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
• paragraph 79(a)(iv) of IAS 1;
• paragraph 73(e) of IAS 16 Property, Plant and Equipment;
• paragraph 118(e) of IAS 38 Intangible Assets;
• paragraphs 76 and 79(d) of IAS 40 Investment Property;

(l) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;

(m) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and

(n) 'The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.'

Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements. Where required, equivalent disclosures are given in the Group financial statements of Costain Group PLC.

2 Accounting policies (continued)

New standards and changes in accounting policy

None of the standards, interpretations and amendments effective for the first time from 1 January 2022 have had a material effect on the financial statements. These include:

• Property, Plant and Equipment: Proceeds before intended use - Amendments to IAS 16;
• Reference to the Conceptual Framework - Amendments to IFRS 3; and
• Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37.

The company also elected to adopt the following amendments early:
• Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions..

Revenue recognition

Recognition

The Company recognises revenue when performance obligations have been satisfied and for the Company, this is when control over the service or product is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of value added tax. Where the consideration is variable, the amount recognised is highly probable not to suffer a significant reversal in future. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

2 Accounting policies (continued)

Long-term contracts
Revenue arises from the increase in the value of work performed and the value of services provided during the year. Where the outcome of an individual long-term contract can be estimated reliably and it is probable that the contract will be profitable, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date. Stage of completion is assessed by reference to the proportion of contract costs incurred for the work performed to date relative to the estimated total costs. Contract costs are recognised as expenses in the period in which they are incurred.

Compensation events, variations and claims, gain from pain/gain arrangements and other bonus assessments are included in revenue where it is highly probable that the amount, which can be measured reliably, will be recovered from the customer and will not reverse. Pain from pain/gain arrangements is included where incurred or expected to be incurred. Revenue in respect of these items is determined on the most likely outcome method. When the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred, where it is highly probable those costs will be recoverable and will not reverse. When it is probable that total contract costs will exceed total revenue, the expected loss is recognised as an expense immediately.

Contract work in progress is stated at cost plus profit recognised to date, including compensation events not yet agreed but considered highly probable, less a provision for foreseeable losses and less amounts billed and is included in contract assets. Amounts valued and billed to customers are included in trade receivables. Where cash received from customers exceeds the value of work performed, the amount is included in contract liabilities.

Any reversal of revenue arising from a change that occurs in the current year but affects the previously recognised position is recognised within revenue for the current year.

Finance income and costs
Interest receivable and payable on bank deposits and between group undertakings is credited or charged to the profit and loss as incurred, using the effective interest method.

Research and development
Research and development activities are usually directly attributable to a project and accounted within project costs. The company applies the research and development expenditure credit (RDEC) regime as these credits have characteristics similar to government grants and recognises the credits in other operating income rather than reflecting them in the tax charge.

Foreign currency transactions and balances
Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at year-end exchange rates. Exchange differences on such items and on transactions completed in the ordinary course of business are dealt with in profit on ordinary activities, except when deferred in other comprehensive income as qualifying cashflow hedges. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

2 Accounting policies (continued)

Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets, other than land, over their estimated useful lives on a straight-line basis, as follows:

Asset class	Depreciation method and rate
Owned plant and machinery	3 to 10 years

Intangible assets

Amortisation

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Amortisation begins when an asset is available for use and is calculated on a straight-line basis to allocate the cost of assets over their estimated useful lives as follows:

Asset class	Amortisation method and rate
Patents	on a straight-line basis up to five years
Computer software	on a straight-line basis up to five years

Investments

Investments in subsidiary undertakings are stated at historical cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Impairments are reversed in line with improvements in the recoverable amount of the investment.

2 Accounting policies (continued)

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for intercompany balances. To measure the expected credit losses, intercompany balances have been grouped based on shared credit risk characteristics and the days past due.

Financial instruments

Initial recognition

The company recognises financial assets and financial liabilities in the statement of financial position when, and only when, the company becomes party to the contractual provisions of the financial instrument.
Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of directly attributable premiums, discounts and transaction costs.

Subsequent to initial measurement, financial assets and financial liabilities are measured at amortised cost.

Derecognition

Financial assets

A financial asset is derecognised only when the contractual rights to the cash flows from that asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities are derecognised only when the obligations are discharged, cancelled or expire.

Impairment of financial assets

Impairment of financial assets is based on an expected credit loss model applying the simplified approach permitted under IFRS 9. The company calculates an allowance for credit losses based on the nature of the customer, experience of collecting receivables from similar customers and modelling default scenarios and applying probabilities of such scenarios.

To measure the expected credit losses, trade debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The contract assets relate to unbilled work in progress and have substantially the same credit risk characteristics as the trade debtors for the same types of contracts. The Group has concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

The loss rates will be adjusted to reflect current and forward-looking information on macroeconomic factors that might affect the ability of the customers to settle the receivables.

2 Accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and call deposits.

Trade creditors
Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions
A provision is recognised in the statement of financial position when there is a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Significant areas of judgement and estimation

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

The most critical accounting policies and significant areas of estimation and judgement arise from the accounting for long-term contracts under IFRS 15 'Revenue from Contracts with Customers', and the recognition of deferred tax assets in relation to tax losses and the items classified as other items and contract adjustments.

Deferred Tax
Included in deferred tax assets is an asset for tax losses recorded in current and prior years. The asset is recognised on the basis that the losses will be used against future taxable profits of the Group over the next five years. The significant judgement in assessing the recoverability relates to the ability of the Group to achieve its taxable profit forecasts and the ability of these estimated numbers to withstand the application of what the Board considers appropriate sensitivities. Details of deferred tax assets are shown in note 12.

3 Significant areas of judgement and estimation (continued)

Long-term contracts
The majority of the Group's activities are undertaken via long-term contracts and IFRS 15 requires the identification and separation of individual, distinct performance obligations, which are then accounted for individually. The most common type of contracts undertaken by the Group with multiple performance obligations are framework contracts. In most cases, the obligations are satisfied over time and estimates are made of the total contract costs and revenues. In many cases, these obligations span more than one financial period. Both cost and revenue forecasts may be affected by a number of uncertainties that depend on the outcome of future events and may need to be revised as events unfold and uncertainties are resolved. Cost forecasts take into account the expectations of work to be undertaken on the contract. Revenue forecasts take into account compensation events, variations and claims and assessments of, for example, the impact of pain/gain arrangements to the extent that the amounts the Group expects to recover can be reliably estimated and are highly probable not to reverse..

Management bases its estimates of costs and revenues and its assessment of the expected outcome of each long-term contractual obligation on the latest available information. This includes detailed contract valuations, progress on discussions over compensation events, variations and claims with customers, progress against the latest programme for completing the works, forecasts of the costs to complete and, in certain cases, assessments of recoveries from insurers, suppliers and contractors, where these are considered virtually certain. Revenue is recognised to the extent that amounts forecast from compensation events, variations and claims are agreed or considered in management's judgement highly probable to be agreed.

The estimates of the forecast contract outcome and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal review procedures. The impact of any change in the accounting estimates both positive and negative is then reflected in the financial statements.

While management believes it has recorded positions that are highly probable not to reverse on the basis of existing facts and circumstances, there are uncertain factors which will impact the final contract outcome and could give rise to material adjustments within the next financial year. Given the inherent complexity and pervasive impact of the various judgements and estimates impacting revenue, cost of sales and related balance sheet amounts, it is not considered plausible to quantify the impact of taking alternative assessments on each of these judgements.

Peterborough & Huntingdon
On 24 February 2022, Costain announced that it had reached a full and final settlement with National Grid. The settlement agreement brought an end to the dispute and prevents any further claims under the contract. Costain made a full and final payment of £43.4m to National Grid in the first quarter of 2022. Related legal and other costs of £4.2m were also incurred and expensed during the year ending 31 December 2021.

4 Reconciliation of reported operating loss to Adjusted operating loss

Adjusted operating profit is being used as a non-GAAP performance measurements. Adjusted operating profit excludes the impact of significant one-off changes in the accounting treatments of the Peterborough & Huntingdon contract, as described below. The Board considers the adjusted measures better reflect the underlying trading performance of the company.

After due consideration of the unexpected outcome of the adjudication process during 2021, the Board concluded that it was appropriate to record the £43.4m adjustment in the year ending 31 December 2021 as a charge to the income statement. As disclosed in Note 3 this charge has been treated as an adjusting item, consistent with the treatment adopted in respect of the P&H contract in the prior year.

4 Reconciliation of reported operating loss to Adjusted operating loss (continued)

Year to 31 December 2022	Adjusted	Peterborough & Huntingdon	Total
	£	£	£
Revenue before contract adjustments	**25,751,850**	-	**25,751,850**
Contract adjustments	-	-	-
Company revenue	**25,751,850**	-	**25,751,850**
Cost of sales	(22,605,135)	-	(22,605,135)
Gross profit	**3,146,715**	-	**3,146,715**
Administrative expenses	(6,355,019)	-	(6,355,019)
Other operating income	1,714,700		1,714,700
Operating loss	**(1,493,604)**	-	**(1,493,604)**
Net finance expense	(821,261)	-	(821,261)
Loss before tax	**(2,314,865)**	-	**(2,314,865)**
Tax on loss	(576,143)	-	(576,143)
Loss for the financial year	**(2,891,008)**	-	**(2,891,008)**

Year to 31 December 2021	Adjusted	Peterborough & Huntingdon	Total
	£	£	£
Revenue before contract adjustments	**18,486,236**	-	**18,486,236**
Contract adjustments	-	**(43,399,889)**	**(43,399,889)**
Company revenue	**18,486,236**	**(43,399,889)**	**(24,913,653)**
Cost of sales	(16,421,669)	(4,201,111)	(20,622,780)
Gross profit/(loss)	**2,064,567**	**(47,601,000)**	**(43,536,433)**
Administrative expenses	(6,594,996)	-	(6,594,996)
Operating loss	**(4,530,429)**	**(47,601,000)**	**(52,131,429)**
Net finance expense	(419,895)	-	(419,895)
Loss before tax	**(4,950,324)**	**(47,601,000)**	**(52,551,324)**
Tax on loss	4,596,918	9,044,190	13,641,108
Loss for the financial year	**(353,406)**	**(38,556,810)**	**(38,910,216)**

5 Revenue

All revenue is attributable to the principal activity of the business and arose within the UK.

Contract assets is made up of a portfolio of contracts and represents unbilled amounts and includes amounts arising from changes to the scope of works that have been recognised as revenue but not yet billed to the customer. There are no significant one-off factors outside of normal trading.

Contract liabilities result when cumulative cash received exceeds cumulative revenue on any particular contract.

6 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2022 £	2021 £
RDEC grant income	1,714,700	365,975

Research and development cost (RDEC) income includes £1,071,200 expense relating to the prior year (2021: £216,475 expense).

7 Operating loss

Operating loss is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of owned property plant and equipment	38,677	69,549
Amortisation of other intangible assets	24,680	22,884
Foreign exchange gains	(979)	(129)

8 Auditors' remuneration

	2022 £	2021 £
Audit of the financial statements	61,580	110,000

There are no fees paid to PricewaterhouseCoopers LLP for other services other than the statutory audit of the company. The audit fee was borne by another group company.

9 Staff costs

The aggregate payroll costs, paid to a fellow subsidiary in relation to seconded staff were as follows:

	2022 £	2021 £
Wages and salaries	19,812,113	15,392,984
Social security costs	2,277,731	1,661,014
Other pension costs	3,806,060	3,043,583
	25,895,904	20,097,581

The average number of persons seconded to the company from a fellow group subsidiary during the year, analysed by category was as follows:

	2022 No.	2021 No.
Production	231	183
Administration and support	73	58
	304	241

10 Directors' remuneration

During 2022 and 2021, the directors were all remunerated by other Group companies. It is not possible to allocate reliably a fair proportion of these costs as services are provided to multiple entities.

11 Finance costs

	2022 £	2021 £
Interest expense payable to group undertakings	821,261	419,895

12 Tax on loss

Tax charged/(credited) in the income statement

	2022 £	2021 £
Current taxation		
UK corporation tax	(2,096,486)	(6,048,044)
UK corporation tax adjustment to prior periods	(258,198)	(426,255)
	(2,354,684)	(6,474,299)
Deferred taxation		
Arising from origination and reversal of temporary differences	2,171,365	(7,722,725)
Deferred tax adjustment relating to previous periods	759,462	555,916
Total deferred taxation	2,930,827	(7,166,809)
Tax charge/(credit) in the income statement	576,143	(13,641,108)

The tax on loss before tax for the year is higher than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Loss before tax	(2,314,865)	(52,551,324)
Corporation tax at standard rate in the UK of 19% (2021: 19%)	(439,824)	(9,984,752)
Decrease in current tax from adjustment for prior periods	(258,198)	(426,255)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	14,703	13,822
Increase in current tax from unrecognised temporary difference from a prior period	759,462	555,916
Deferred tax expense/(credit) relating to changes in tax rates or laws	703,528	(3,799,839)
Decrease from effect of adjustment in research development tax credit	(203,528)	-
Total tax charge/(credit) in the income statement	576,143	(13,641,108)

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate would increase to 25%. This rate was substantively enacted on 24th May 2021. Deferred tax balances in these financial statements have been calculated at the rate of 25% or at 19% where the asset will unwind prior to April 2023.

12 Tax on loss (continued)

Deferred tax

Deferred tax asset

The movement in the deferred taxation was as follows:

	2022	2021
	£	£
Asset at the beginning of the year	15,832,664	8,665,855
Amount (charged)/credited to the profit and loss account	(2,171,365)	7,722,725
Adjustment in respect of prior year	(759,462)	(555,916)
Asset at end of year	12,901,837	15,832,664

The elements of the deferred taxation asset at 25.0% (2021: 25.0%) are as follows:

	2022	2021
	£	£
Accelerated tax depreciation	372,030	362,900
Tax losses	12,529,807	15,469,764
	12,901,837	15,832,664

These tax losses have been recognised to the extent it is expected that they will be recoverable within five years (2021: six years) using the estimated future taxable income based on the approved forecasts for the group and reasonably likely estimated future profits. These losses can be carried forward indefinitely and have no expiry date.

13 Intangible assets

	Patents £	Computer software £	Total £
Cost			
At 1 January 2022	458,522	1,235,535	1,694,057
Additions	8,427	-	8,427
At 31 December 2022	466,949	1,235,535	1,702,484
Accumulated amortisation			
At 1 January 2022	148,816	1,235,534	1,384,350
Charge for the year	24,680	-	24,680
At 31 December 2022	173,496	1,235,534	1,409,030
Carrying amount			
At 31 December 2022	293,453	1	293,454

Costain Oil, Gas & Process Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Intangible assets (continued)

	Patents £	Computer software £	Total £
At 31 December 2021	309,706	1	309,707

Amortisation of intangible assets is included within administrative expenses in the income statement.

14 Property, plant and equipment

	Owned plant and machinery £	Total £
Cost or valuation		
At 1 January 2022	664,205	664,205
At 31 December 2022	664,205	664,205
Depreciation		
At 1 January 2022	582,535	582,535
Charge for the year	38,677	38,677
At 31 December 2022	621,212	621,212
Carrying amount		
At 31 December 2022	42,993	42,993
At 31 December 2021	81,670	81,670

15 Investments

	Subsidiaries £
Cost	
At 1 January 2021	8,512,393
At 31 December 2021	8,512,393
At 1 January 2022	8,512,393
At 31 December 2022	8,512,393
Provision for impairment	
At 1 January 2021	8,512,393
At 31 December 2021	8,512,393
At 1 January 2022	8,512,393
At 31 December 2022	8,512,393
Carrying amount	

Costain Oil, Gas & Process Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Investments (continued)

	Subsidiaries £
At 31 December 2022	-
At 31 December 2021	-
At 1 January 2021	-

Details of the subsidiaries as at 31 December 2022 and 31 December 2021 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held 2022	2021
Costain Oil, Gas & Process (Overseas) Limited	Dormant	Costain House, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB UK	Ordinary shares	100%	100%

16 Trade and other receivables

	31 December 2022 £	As restated 31 December 2021 £
Trade receivables	2,498,400	1,013,960
Amounts owed by group undertakings	1,790,486	752,680
Contract assets	1,525,065	1,538,062
Other receivables	999,564	1,137,437
Prepayments	837,109	514,625
Income tax receivable	-	55,535
Group relief receivable	2,219,535	6,048,795
Deferred tax assets	12,901,837	15,832,664
	22,771,996	26,893,758
Less non-current portion *	(12,901,837)	(15,832,664)
	9,870,159	11,061,094

* The deferred tax asset has been restated from current to non-current as it's anticipated not to be used in the next 12 months which was erroneously misreported in 2021.

Costain Oil, Gas & Process Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Trade and other receivables (continued)

Amounts owed from other group undertakings are unsecured, repayable on demand and accrue interest at the Bank of England base rate less 0.25% or the Bank of England base rate plus 2.75% depending on the counterparty (2021: Rates between 0%-0.5%).

Due to the short-term nature of the current debtors, their carrying amount is considered to be the same as their fair value.

17 Cash and cash equivalents

	31 December 2022 £	31 December 2021 £
Cash at bank	7,735,449	5,264,575

The Company's bankers have the right to set off the company's principal bank balances when in credit against any overdraft borrowings by, a fellow subsidiary of the Costain group, Richard Costain Limited. In addition, one of the arrangements requires that certain cash balances, whether in credit or debit, are swept to/from Richard Costain Limited on a daily basis; such arrangements are commonplace in large groups and facilitate effective cash management. The company's cash balance is replaced with an inter-company receivable/payable from/to Richard Costain Limited.

The sweeping of the company's cash balance is used to offset the company's inter-company payable to Richard Costain Limited of £22,212,042 at 31 December 2022 (31 December 2021: £19,462,042).

18 Creditors

Amounts falling due within one year

	31 December 2022 £	31 December 2021 £
Trade creditors	1,222,892	2,637,550
Accrued expenses	2,142,424	2,178,003
Amounts owed to group undertakings	23,212,042	20,462,042
Social security and other taxes	249,455	-
Other creditors	503,882	868,021
	27,330,695	26,145,616

Amounts falling due after more than one year

	31 December 2022 £	31 December 2021 £
Amounts owed to group undertakings	63,436,347	20,036,347

Amounts owed to group undertakings are unsecured, repayable on demand and accrue interest at the Bank of England base rate + 2.75% (2021: Nil).

Costain Oil, Gas & Process Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

19 Other provisions

	Other provisions £	Total £
At 1 January 2022	43,399,889	43,399,889
Provisions used	(43,399,889)	(43,399,889)
At 31 December 2022	-	-

On 24 February 2022, Costain announced that it had reached a final settlement with National Grid regarding the Peterborough & Huntingdon contract. The settlement agreement brought an end to the dispute after the contract was mutually terminated in June 2020 and prevents any further claims under the contract. At 31 December 2021 a provision of £43,399,889 was taken in relation to the settlement.

20 Called up share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No.	£	No.	£
Ordinary shares of £0.01 each	3,550,000,100	35,500,001	3,550,000,100	35,500,001

21 Contingent liabilities

The company has entered into cross guarantees together with the ultimate parent company and certain fellow Group undertakings for borrowing facilities made available to the Group. At 31 December 2022, these liabilities amounted to £Nil (2021: £40,000,000).

These are also contingent liabilities in respect of guarantees of performance bonds and other undertakings entered into in the ordinary course of business by fellow Group undertakings.

22 Parent and ultimate parent undertaking

The company's immediate parent is Costain Engineering & Construction Limited.

The ultimate parent is Costain Group PLC.

The parent of the largest and smallest group producing publicly available financial statements in which these financial statements are consolidated is Costain Group PLC. These financial statements are available upon request from Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB.

The ultimate controlling party is Costain Group PLC.