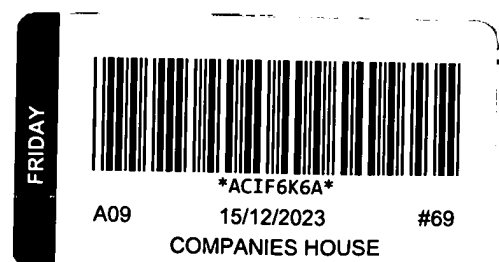


Durr Limited

Annual Report and Financial Statements

31 December 2022



Corporate information

Directors

D Ashmore
K Cheetham

Secretary

K Cheetham

Auditors

Deloitte LLP
4 Brindley Place
Birmingham B1 2HZ

Bankers

Barclays Bank plc
One Snowhill
Snowhill Queensway
Birmingham B4 6GB

Solicitors

Buckles Solicitors LLP
Grant House
101 Bourges Boulevard
Peterborough PE1 1NG

Registered Office

Durr Limited
Broxell Close
Warwick
Warwickshire CV34 5QF

Strategic report

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

Business review

The principal activity of the Company continues to be the design, manufacture and installation of paint finishing systems and associated equipment alongside the clean technologies and balancing systems business operations.

The profit for the year after taxation is £1,592,000 (2021 – Profit of £1,630,000).

The Company's key financial and other performance indicators during the year were as follows:

	2022	2021
	£000	£000
Turnover	31,651	34,228
Profit before tax	2,000	2,160
Orders on hand	25,374	19,490
Net working capital	3,242	3,278
Net cash position (including group cash pool)	7,709	4,443

Turnover decreased from £34m to £31m, this is primarily due to a reduced investment in the post Covid era. The Company continues to focus on new customers and markets whilst reinforcing robust project and cost control.

The Company's cash position remains positive, and the Company continues to have funds on hand with the group's treasury system. The cash position includes £6,212,000 (2021 – £2,083,000) in bank and £1,497,000 (2021 – £2,360,000) which is part of the amount referred to in note 19 as amounts owed by group undertakings. The Net Working Capital of the company primarily includes inventories, advance contract payments, trade receivables, trade payables and contract assets and liabilities.

The Company continues to have a good backlog of orders for execution during 2023 and beyond. We continue to seek opportunities both domestically and overseas for 2023 and beyond.

The principal risks of the Company are based around the long-term nature of our principal contracts. These contracts contain material inputs with variability in both availability and prices which we manage via both customer and supplier contracts.

Section 172 Statement & Stakeholder Interests

A statement pursuant to Section 172 of the Companies Act 2006 is required content in these statutory accounts. The primary duty of the directors under Section 172 is to act in the way they consider would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and to do so having regard as appropriate to certain statutory factors and other relevant matters.

All director decisions are made with the Company's long-term success in mind and the directors have regard to a broad range of matters including the voice of stakeholders. Set out below is specific commentary in relation to each of the Section 172 factors:

Strategic report (continued)

The likely consequences of any decision in the long-term

The Company has adopted a five-year business planning period and sets strategy with a view to long-term success. The strategic review process was undertaken during the year with that in mind. Long-term considerations had an influence in assessing which are the most attractive markets for the Company to focus on and how to optimise the businesses' footprint. The directors also review investment decisions with a long-term view, usually 5 or 10 years.

The interests of the Company's employees

The Company depends on its employees for its success and invests considerable time and resources on employee engagement, training and development.

Health and safety of our employees is of paramount importance and receives appropriate director and management attention and investment. Reflecting this importance, the directors measure and track performance closely. As an example, the Company reports monthly on safety KPIs, has regular meetings during the month and communicates quarterly to all employees through a town hall meeting. In addition, we carry out toolbox talks with employees, where key areas of Health and Safety are discussed with advice given on preventing accidents.

Given how important our people are to our success we maintain an active dialogue with them. Some of the channels we use to facilitate this dialogue include an annual employee survey which is undertaken during the year, quarterly town hall meetings; supplemented with Managing Director email communications and weekly departmental meetings. The directors use the data generated from this survey to continually improve our organisation. If specific local issues are identified, the directors undertake further work to gather more detail and then implement appropriate measures to drive improvement, this is measured by re-surveying to ensure measures have improved the key areas identified.

The Company is owned by Durr AG and forms part of the Durr group of companies. To support the Company the HR manager and HS&E managers (who have been in place since 1 January 2020) assist the Board in relation to employee engagement and safety measures and reports to the Board in respect of employee views presented to them.

In addition to engagement on site visits, the HS&E manager attended (virtually) the European Communications Forum at which representatives from the Durr Group discussed health and safety, strategic progress and performance and following each meeting minutes are produced and shared with the Board, management team and employees. Views expressed were positive and constructive.

The group has "DurrNet" a company-wide intranet that is available to all employees and this is kept up to date with not only policy and process changes, but financial results and other announcements.

Training and development of employees is important to the directors with management and leadership training courses available alongside training programmes for specific qualifications being available to employees.

Pension scheme participants benefit from Durr Limited's approach to pension provision by way of a defined contribution pension scheme.

Strategic report (continued)

The need to foster business relationships with suppliers, customers and others

Customer service and value are at the core of our business model and strategy. The directors monitor indicators of the customer experience and welcome the increased emphasis on the customer which management is building.

The Company works closely with partners including suppliers, distributors and agents who are closely managed from a commercial and compliance perspective. During 2022 we have been working with our suppliers on validation assessments and maintaining closer ties, continuing with a regular schedule of review meetings.

The impact of the company's operations on the community and the environment

The Company has a positive contribution to the local community as employers, using where possible local training providers for employee training, supporting employees with charitable activity (e.g. charity bike rides) and making charitable donations.

The Company monitors minimising our impact on the environment with energy and waste initiatives. Continued progress depends upon the directors driving such initiatives and channelling investment to projects with due regard for the environment.

The desirability of maintaining a reputation for high standards of business conduct

The Company is careful of its reputation and decisions reflect this and the great importance attached to the reputation by all key stakeholders. The Company demands high standards of conduct from all directors and employees and expects management to be mindful of how and with whom business is conducted. The Company will decline to have dealings with third parties who display poor business conduct.

The need to act fairly between shareholders of the Company

The directors understand the importance of treating shareholders fairly, therefore principal decisions are made in conjunction with our shareholders. The Company has only one class of share in issue and one shareholder in Durr Systems AG.

Approved by the Board and signed on its behalf by:



Keith Cheetham

Financial Director

Date: 7 December 2023

Registered No. 1002684

Directors' report

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

Directors of the Company

The directors who served the company during the year and up to the date of approval of these financial statements were as follows:

D Ashmore

K Cheetham

P Kearns – resigned 29 March 2023

Dividends

The directors did not pay a dividend in 2022 (2021: £nil), a dividend was declared and paid in relation to accounting year 2022 in 2023 of £1.6m.

Future developments

The Company intends to continue operating in the areas of paint finishing, balancing and clean technologies systems and associated equipment.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. The company has completed 5 year future forecasts of Sales, Statement of comprehensive income, Balance Sheet and an 18 month rolling liquidity plan.

The Directors of the company have during the latter part of the year obtained information on future market positions and financial forecasts to assess Going Concern.

Based on the inquiries made the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months from the approval of these financial statements. Durr AG have provided a letter of support in meeting financial obligations for the coming 12 months from the date of approval of these financial statements. The Directors considered the company resources as well as the ability of Durr AG to provide support and concluded to continue adopting the going concern basis of accounting in preparing the annual financial statements.

Financial risk management objectives and policies

The Company's activities expose it to financial risks including credit risk, cash flow risk and liquidity risk.

The use of financial derivatives is governed by the Group's policies approved by the board of directors. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group uses foreign exchange forward contracts to hedge these exposures.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Research and Development

Research and development is supported by the parent undertaking and details of their research and development program is available in their annual financial statements.

Accreditation

The Company attained ISO 9001 in 1994 (transitioned to the 2015 standards in 2017), ISO45001 in 2022, ISO14001 in 2002 (transitioned to 2015 standards in 2017) and EN1090 in 2015 (reviewed in April 2017). The Company continues to promote environmental awareness amongst necessary stakeholders.

Engagement with Employees

The Company operates a framework for employee information and consultation through several different formats, including a quarterly communications meeting to discuss financial related topics, current and future projects and any personnel news. All presentations are then provided by means of visual communication at the employee relaxation points. In addition, a newsletter, employee surveys and employee forums are provided regularly to encourage employees to present their suggestions and views on the Company's performance along with any other relevant topics.

Directors' indemnities

The company has made qualifying third part indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

A resolution to reappoint Deloitte LLP as auditors will be put to the members at the Annual General Meeting.

Approved by the board and signed on its behalf by:



Keith Cheetham
Financial Director

Date: 7 December 2023

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable laws 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) including FRS 101 Reduced Disclosure Framework. 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;
- 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 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 auditors' report

to the members of Durr Limited

Opinion

In our opinion the financial statements of Durr Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the statement of total comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Independent auditors' report (continued)

to the members of Durr Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

Independent auditors' report (continued)

to the members of Durr Limited

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- We considered the principal areas where the risk of fraud to be significant was in relation to revenue recognition pinpointed contract revenue that display certain characteristics i.e. those which are forecast to make a loss and span multiple years as inherently there is the potential for margin manipulation over different accounting periods. In response to the risk we have performed a disaggregation analysis to identify contracts that have above characteristics. We have tested those contracts to determine whether revenue has been recognised in line with IFRS 15. We have also challenged management on the estimates of percentage of completion on projects selected.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance

Independent auditors' report (continued)

to the members of Durr Limited

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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

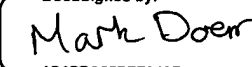
certain disclosures of directors' remuneration specified by law are not made; or

we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

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Mark Doerr ACA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, UK

Date: 7 December 2023

Statement of total comprehensive income

for the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Turnover	4	31,651	34,228
Cost of sales		(25,158)	(27,772)
Gross Profit		6,493	6,456
Selling expenses		(1,912)	(1,865)
Administration expenses		(2,634)	(2,480)
Other operating income	5	113	91
Operating Profit	6	2,060	2,202
Interest receivable	9	11	9
Interest payable and similar charges	10	(71)	(51)
Profit before taxation		2,000	2,160
Taxation	11	(408)	(530)
Profit for the financial year		1,592	1,630
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):</i>			
Profit/(loss) on cash flow hedges		19	(4)
Other comprehensive income/(loss) for the financial year		19	(4)
Total comprehensive income for the financial year		1,611	1,626

Statement of changes in equity

for the year ended 31 December 2021

	<i>Called up share capital £000</i>	<i>Capital reserve £000</i>	<i>Cash flow hedge reserve £000</i>	<i>Retained earnings £000</i>	<i>Total Equity £000</i>
At 1 January 2021	3,050	3,000	5	(5)	6,050
Profit for the financial year	-	-	-	1,630	1,630
Other comprehensive income	-	-	(4)	-	(4)
Total income for the year	-	-	(4)	1,630	1,626
At 31 December 2021	3,050	3,000	1	1,625	7,676

Statement of changes in equity

for the year ended 31 December 2022

	<i>Called up share capital £000</i>	<i>Capital reserve £000</i>	<i>Cash flow hedge reserve £000</i>	<i>Retained earnings £000</i>	<i>Total Equity £000</i>
At 1 January 2022	3,050	3,000	1	1,625	7,676
Profit for the financial year	-	-	-	1,592	1,592
Other comprehensive income	-	-	19	-	19
Total income for the year	-	-	19	1,592	1,611
At 31 December 2022	3,050	3,000	20	3,217	9,287

Balance sheet

<i>at 31 December 2022</i>		2022	2021 (Restated)
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
Fixed assets			
Tangible assets	13	280	266
Intangible assets	14	2,675	2,808
Rights of Use assets	15	2,018	336
		<u>4,973</u>	<u>3,410</u>
Current assets			
Stocks	16	664	467
Debtors	17	13,283	9,880
Forward currency contracts	18	25	1
Amounts owed by group undertakings	19	8,933	9,236
Cash at bank and in hand		6,212	2,083
		<u>29,117</u>	<u>21,667</u>
Creditors: amounts falling due within one year			
Creditors	20	11,433	8,091
Amounts owed to group undertakings including accruals	21	11,302	8,860
Obligations under leases	22	660	269
		<u>23,395</u>	<u>17,220</u>
Net current assets		<u>5,722</u>	<u>4,447</u>
Total assets less current liabilities		<u>10,695</u>	<u>7,857</u>
Creditors: amounts falling due after more than one year	22	<u>1,408</u>	<u>153</u>
Provisions for liabilities: deferred taxation		-	28
Net assets		<u>9,287</u>	<u>7,676</u>
Capital and reserves			
Called up share capital	23	3,050	3,050
Capital reserve	23	3,000	3,000
Hedge Reserve	24	20	1
Retained earnings		3,217	1,625
Total Equity Shareholder's Funds		<u>9,287</u>	<u>7,676</u>

The financial statements were approved by the Board of Directors and authorised for issue on 7 December 2023. They were signed on its behalf by:

Keith Cheetham

Financial Director

Date: 7 December 2023



Notes to the financial statements

at 31 December 2022

1. Statement of compliance with FRS101

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

Durr Limited (the Company) is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England. The address of the Company's registered office is shown on page 1.

The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 – 4.

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The Company has not prepared consolidated financial statements because the results of Durr Limited are included in the consolidated financial statements of Durr AG, its ultimate parent undertaking and controlling party, whose principal place of business is at Carl-Benz-Str 34, 74321 Bietigheim-Bissingen, Germany. Group financial statements are available to the public from this address.

2. Subsequent Events

No subsequent events have taken place.

3. Accounting policies

3.1 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, however these estimates contain no key judgements. The following are the company's key sources of estimation uncertainty:

Project accounting

The company's projects are taken to revenue based on percentage of completion, derived from a cost to complete estimation, which is sensitive to the project programme. The cost to complete estimates are reassessed each month by the leader of the project and reviewed by management at a project review meeting focused on the project financials.

Goodwill impairment review

An annual assessment of goodwill is performed, at time of the assessment the future value was in excess of the carrying value. The assessment is performed based off the 4 years of future forecasts plus an ongoing annuity element, the post-tax discount rate used (based off the weighted average cost of capital) was 8.018% and the future growth rate was assumed at 1% p.a.

Where the business of acquired subsidiaries are hived-up into the entity, the investment value is reduced, and goodwill is recognised based on the excess of the consideration given for the original acquisition over the fair value of assets acquired. Subsequently goodwill is not amortised but is reviewed annually for impairment or whenever there is an indicator of impairment. This is a departure from the requirement of the Companies Act which requires the amortisation of goodwill. Hence, the company has invoked a true and fair override in order to overcome the Companies Act requirement to write off goodwill over its useful economic life. It is not practicable to reliably estimate the impact of non-amortisation in the profit and loss account because the useful economic life and pattern of diminishment of the goodwill cannot be determined.

Notes to the financial statements (continued)

at 31 December 2022

3.2 Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, certain disclosure in respect of revenue from contracts with customers, impairment of assets, certain related party transactions, and certain disclosure requirements in respect of leases.

Where relevant, equivalent disclosures have been given in the group accounts of Durr A.G. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

Tangible and intangible fixed assets

Tangible fixed assets are stated at cost or deemed cost.

Depreciation and amortisation is provided on all tangible fixed assets and intangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows;

Leasehold buildings	–	over 20 years
Plant and machinery	–	over 1 to 10 years
Software	–	over 3 to 8 years
Customer Relationships	–	over 0.5 to 4 years (post acquisition)

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Should an impairment be identified the asset is written down to its recoverable amount, which is the lower of the value in use or fair value less cost to sell.

Goodwill

The carrying value of goodwill is subject to an annual assessment for impairment, to ensure the carrying value is recoverable based on changes or events during the year. Should an impairment be identified the asset is written down to its recoverable amount, which is the lower of the value in use or fair value less cost to sell.

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 as follows:

Raw material comprises purchases cost on a first-in, first-out basis, including transport.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to the financial statements (continued)

at 31 December 2022

3.2 Significant Accounting policies (continued)

Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Revenue recognition

Revenue from the principal activities is recognised in accordance with the percentage of completion method and applied to a contract over the performance period. The criteria for this is that the asset does not have any other alternative usage and that the Company has an enforceable right to payment for work already performed. The percentage of completion is calculated on the basis of the costs incurred relative to the total estimated costs. This ensures that both sales revenues and the associated costs are systematically recorded and therefore the profit from the contract is recognised in the period incurred over which the control over the goods or services is transferred. If the contract is loss making, then the full loss is recorded in the period of identification. Customer payments are contractually agreed and based on the progress of projects and set performance related milestones. The Company recognises a contract asset for any work performed, which is reclassified to trade debtors at the point invoice to the customer.

Revenue from spare parts is recognised at the date on which the customer obtains control over the parts which is usually when they are delivered to the customer. The customer makes payment upon receiving the invoice depending on the contractual arrangements.

Warranty

The Company offer warranties for an agreed period with the customer, hence we hold a provision in the accounts to cover this potential liability.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit:

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised

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

Notes to the financial statements (continued)

at 31 December 2022

3.2 Significant Accounting policies (continued)

Foreign currency translation

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

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any exchange differences excluding derivatives are included in the profit and loss account.

Leases

A lease is a contract that transfers the right to use an asset (the leased asset) for a period of time in exchange for consideration. Durr Limited as lessee has generally accounted for these leases as right-of-use assets and the corresponding payment obligations over the lease term as lease liabilities from the commencement date. The right-of-use assets are recognised under property, plant and equipment while the lease liabilities are recognised as part of financial liabilities.

Lease liabilities correspond to the present value of the lease payments made over the lease term. For discounting, the interest rate implicit in the lease is used if this can be determined. Otherwise, the incremental borrowing rate is used. Right-of-use assets are measured at acquisition cost, lease liabilities and right-of-use assets are subsequently measured at amortised cost.

The lease liability is reassessed if the lease agreement is modified or changes are made to the lease payments, lease term or estimates regarding the exercise of purchase options. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and their estimated useful lives and adjusted for any reassessment of the lease liability.

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the reporting period for which they were designated.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship.

Notes to the financial statements (continued)

at 31 December 2022

3.2 Significant Accounting policies (continued)

Pensions

The Company operates a defined contribution scheme and contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report. The company has completed future forecasts of Sales, Statement of comprehensive income, Balance Sheet and liquidity that cover the whole of 2024 in detail.

The Directors of the company have during the latter part of the year obtained information on future market positions and financial forecasts to assess Going Concern.

Based on the inquiries made the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months from the approval of these financial statements. Durr AG have provided a letter of support in meeting financial obligations for the coming 12 months from the date of approval of these financial statements. The Directors considered the company resources as well as the ability of Durr AG to provide support and concluded to continue adopting the going concern basis of accounting in preparing the annual financial statements

Business Combinations

The acquisition method (IFRS3 "Business Combinations") was used for merging of the Megtec, Universal and Schenck companies. The goodwill is allocated to the Clean Technologies Systems division of Durr Limited. All assets and liabilities acquired are included in the financial position at the acquisition date.

Notes to the financial statements (continued)

at 31 December 2022

4. Turnover

Turnover recognised in the income statement is analysed as follows:

	2022	2021
	£000	£000
Sales revenue from equipment sales	8,145	16,448
Service including spare parts	23,506	17,780
	<u>31,651</u>	<u>34,228</u>

Turnover by geographical area, based on the customer location:

	2022	2021
	£000	£000
United Kingdom	26,784	28,916
United States of America	567	299
Africa	429	396
Rest of Europe	1,659	1,505
Asia and Australia	1,889	2,379
UAE	223	563
South America	100	170
	<u>31,651</u>	<u>34,228</u>

5. Other operating income

Rental income relating to the subletting of property amounted to £113,000 (2021 – £91,000).

6. Operating profit

This is stated after charging / (crediting):

	2022	2021
	£000	£000
Group research and development costs	647	682
Group management fees	497	577
Depreciation of property, plant and equipment	103	88
Amortisation of intangible assets	133	145
Depreciation of right of use assets	580	460
R&D expenditure credits	-	(330)
Net foreign currency exchange differences	<u>(562)</u>	<u>272</u>

7. Auditors' remuneration

	2022	2021
	£000	£000
Audit of the financial statements	80	86
The auditors had no non-audit fees in either year.		

Notes to the financial statements (continued)

at 31 December 2022

8. Staff costs and directors' remuneration

(a) Staff costs

	2022	2021
	£000	£000
Wages and salaries	6,526	6,200
Social security	791	734
Pension costs	411	411
	<u>7,728</u>	<u>7,345</u>

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

	No.	No.
Design and construction	63	70
Sales and marketing	18	14
Administration	17	18
	<u>98</u>	<u>102</u>

(b) Directors' remuneration

	2022	2021
	£000	£000
Remuneration	<u>422</u>	<u>381</u>
Company contributions to money purchase pension schemes	<u>61</u>	<u>58</u>
Number of directors accruing benefits under defined contribution schemes	<u>3</u>	<u>3</u>

The amounts in respect of the highest paid director are as follows:

	2022	2021
	£000	£000
Remuneration	<u>160</u>	<u>147</u>
Company contributions paid to money purchase pension scheme	<u>18</u>	<u>17</u>

9. Interest receivable

	2022	2021
	£000	£000
Interest receivable from group undertakings	11	9
Interest receivable from third party	<u>-</u>	<u>-</u>
Total interest receivable	<u>11</u>	<u>9</u>

Notes to the financial statements (continued)

at 31 December 2022

10. Interest payable

	2022	2021
	£000	£000
Interest charges payable under leases	62	47
Interest payable to third party	9	4
Total interest payable	<u>71</u>	<u>51</u>

11. Taxation

(a) Tax charge in the income statement:

	2022	2021
	£000	£000
Current income tax:		
UK corporation tax on the profit for the year	409	402
Adjustments under provided in previous year	27	117
Total current income tax	<u>436</u>	<u>519</u>
Deferred tax:		
Origination and reversal of timing differences	(28)	11
Tax expense in the income statement	<u>408</u>	<u>530</u>

(b) Reconciliation of the total tax expense

The charge for the year can be reconciled to the loss per the income statement as follows:

	2022	2021
	£000	£000
Profit for the period on before tax	<u>2,000</u>	<u>2,160</u>
Tax calculated at UK standard rate of corporation tax of 19% (2021: 19%)	380	410
Effects of:		
Tax under provided in previous years	27	117
Expenses not deductible for tax purposes	3	4
R&D Credit	0	(31)
Other differences	(2)	30
Total tax charge reported in the income statement	<u>408</u>	<u>530</u>

Notes to the financial statements (continued)

at 31 December 2022

11. Taxation (Continued)

(c) Change in Corporation Tax rate

In the Spring Budget 2022 the Government announced the corporation tax rate would remain at 19% until 1 April 2023. From 1st April 2023 the rate will increase to 25%. This new law was substantively enacted on 11 March 2021. Deferred Tax balances were calculated at a rate of 19% and 25% for anything reversing after April 2023.

This change is not expected to have a material impact on the financial statements.

(d) Deferred tax liability

	2022 £000	2021 £000
Provision at start of year	28	17
Deferred tax charge to income statement for the period	(28)	11
Provision at end of year	-	28

The deferred tax relates to timing differences.

12. Dividends

There was no dividend paid in 2022 (there was no dividend paid during 2021), a dividend was declared and paid in relation to accounting year 2022 in 2023 of £1.6m.

13. Tangible fixed assets

	<i>Leasehold Land and buildings</i> £000	<i>Office and technical</i> £000	<i>Total</i> £000
<i>Cost or deemed cost:</i>			
At 1 January 2022	106	1,036	1,142
Additions	-	121	121
Disposals	(32)	(19)	(51)
At 31 December 2022	<u>74</u>	<u>1,138</u>	<u>1,212</u>
<i>Depreciation and impairment:</i>			
At 1 January 2022	(79)	(797)	(876)
Provided during the year	(10)	(92)	(102)
Disposals	30	16	46
At 31 December 2022	<u>(59)</u>	<u>(873)</u>	<u>(932)</u>
<i>Carrying amount:</i>			
At 31 December 2022	<u>15</u>	<u>265</u>	<u>280</u>
At 31 December 2021	<u>27</u>	<u>239</u>	<u>266</u>

Notes to the financial statements (continued)

at 31 December 2022

14. Intangible fixed assets

	Software £000	Goodwill £000	Customer Relationship £000	Total £000
<i>Cost or deemed cost:</i>				
At 1 January 2022	245	2,675	467	3,387
At 31 December 2022	<u>245</u>	<u>2,675</u>	<u>467</u>	<u>3,387</u>
<i>Depreciation and impairment:</i>				
At 1 January 2022	(230)	-	(349)	(579)
Provided during the year	(15)	-	(118)	(133)
At 31 December 2022	<u>(245)</u>	<u>-</u>	<u>(467)</u>	<u>(712)</u>
<i>Carrying amount:</i>				
At 31 December 2022	<u>-</u>	<u>2,675</u>	<u>-</u>	<u>2,675</u>
At 31 December 2021	<u>15</u>	<u>2,675</u>	<u>118</u>	<u>2,808</u>

15. Rights of Use assets

	Land and buildings £000	Vehicles £000	Total £000
Cost at 1 January 2022	3,584	182	3,766
Prior Year Correction	209	224	433
Additions	2,175	88	2,263
Disposals	-	(137)	(137)
At 31 December 2022	<u>5,968</u>	<u>357</u>	<u>6,325</u>
<i>Depreciation and impairment:</i>			
Cost at 1 January 2022	(3,426)	(4)	(3,430)
Prior Year Correction	(208)	(226)	(434)
Provided during the year	(476)	(104)	(580)
Disposals	-	137	137
At 31 December 2022	<u>(4,110)</u>	<u>(197)</u>	<u>(4,307)</u>
<i>Carrying amount:</i>			
At 31 December 2022	<u>1,858</u>	<u>160</u>	<u>2,018</u>
At 31 December 2021	<u>158</u>	<u>176</u>	<u>336</u>

The Company's leasing activities include the lease of buildings which are used as operating premises and cars. The interest on the leases is £62,000 for the year ended 31 December 2022 (2021: £47,000) as disclosed in note 10.

Notes to the financial statements (continued)

at 31 December 2022

16. Stocks

	2022	2021
	£000	£000
Raw materials and consumables	313	190
Work in progress	351	277
	<u>664</u>	<u>467</u>

17. Debtors

	2022	2021 (Restated)
	£000	£000
Trade debtors	10,112	6,851
Contract assets (note 26)	2,072	2,630
Prepayments and accrued income	212	119
Corporation Tax	343	268
Other debtors	544	12
	<u>13,283</u>	<u>9,880</u>

18. Forward currency contracts

The fair value of forward currency exchange contracts was determined using quoted forward exchange rates matching the maturity of the contracts. The cash flow hedges of the expected future sales in 2022 were assessed as effective and an un-realised gain of £24,000 (net of tax) was included within other comprehensive income.

	Asset	Total
	£000	£000
2021	1	1
Movement in the year	<u>24</u>	<u>24</u>
2022	25	25

19. Amounts owed by group undertakings

	2022	2021
	£000	£000
Intercompany other debtors	7,436	6,876
Cash pooling	1,497	2,360
	<u>8,933</u>	<u>9,236</u>

The amounts owed by group undertakings are in relation to trading and are unsecured, interest free and are repayable on demand.

Notes to the financial statements (continued)

at 31 December 2022

20. Creditors

	2022	2021 (Restated)
	£000	£000
Trade creditors	2,059	548
Other taxes and social security costs	2,634	999
Corporation Tax	329	77
Contract liabilities (note 26)	4,336	4,242
Accruals and deferred income	2,075	2,225
	<u>11,433</u>	<u>8,091</u>

21. Amounts owed to group undertakings including accruals

	2022	2021 (Restated)
	£000	£000
Intercompany trade creditors	1,438	501
Intercompany cost accruals (note 26)	9,864	8,359
	<u>11,302</u>	<u>8,860</u>

The amounts owed to group undertakings are in relation to trading and are unsecured, interest free and are repayable on demand.

22. Obligations under leases

<i>Minimum payment due</i>	<i>Within 1 year</i>	<i>1-2 years</i>	<i>2-3 years</i>	<i>3-5 years</i>	<i>Total</i>
Building	532	434	421	492	1,879
Vehicles	128	51	10	-	189
Lease Payments Due at 31 Dec 2022	<u>660</u>	<u>485</u>	<u>431</u>	<u>492</u>	<u>2,068</u>
Lease Payments Due at 31 Dec 2021	<u>269</u>	<u>139</u>	<u>14</u>	<u>-</u>	<u>422</u>

23. Issued share capital

	No.	2022 £000	No.	2021 £000
<i>Authorised, issued and fully paid</i>				
Ordinary shares of £1 each	3,050,000	<u>3,050</u>	3,050,000	<u>3,050</u>

Notes to the financial statements (continued)

at 31 December 2022

24. Movements on other reserves

Hedge reserve

The fair value of forward currency exchange contracts, determined using quoted forward exchange rates matching the maturity of the contracts is a liability of £20,000 (2021 – a liability of £1,000)

Capital Reserve

Durr AG injected £3m of cash into Durr Limited on the 31st May 2019 to assist with the purchase of Megtec and Universal and this is not distributable.

25. Ultimate holding company

The directors regard Durr AG, a company incorporated in Germany, as the ultimate holding company and controlling party. The smallest and largest group that the company is consolidated into is headed by Durr AG.

Copies of the ultimate parent's consolidated financial statements may be obtained from Durr AG, Carl-Benz-Strasse 34, D-74321 Bietigheim-Bissingen

26. Prior year adjustment

	Contract asset £000	Contract liabilities £000	Intercompany cost accruals £000	Debtors £000	Creditors £000	Amounts owed to group undertaking including accruals £000
	<i>Note 17</i>	<i>Note 20</i>	<i>Note 21</i>	<i>Balance Sheet page</i>		
As reported in prior period	1,865	(11,836)	-	9,115	(15,685)	(501)
Correction for intercompany cost accruals*	1,374	6,985	(8,359)	1,374	6,985	(8,359)
Correction to present net position for each project**	(609)	609	-	(609)	609	-
Final closing position restated	2,630	(4,242)	(8,359)	9,880	(8,091)	(8,860)

* the liability owed to the related parties towards costs incurred on projects had been netted against the contract assets. The position had to be grossed up as the settlement of these liabilities is not done on a net basis. Balances that are in an overall liability position should also have been recorded as intercompany cost accruals rather than as contract liabilities. The prior year numbers were accordingly restated.

** the contract asset and liability for the same project was shown as a gross position instead of net position against each contract. This has accordingly been presented on a net basis and prior year numbers restated.

There has been no impact on net assets and on the statement of comprehensive income on account of the above restatement.