# TILBURY DOUGLAS ENGINEERING LIMITED (FORMERLY INTERSERVE ENGINEERING SERVICES LIMITED)

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2021

## Company number: 03044398

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## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | P F Gandy<br>R S Mather<br>G H Restall<br>C N Tatton<br>M J Smith (appointed 3 January 2023) |
| **Company secretary** | D A P Timmins |
| **Registered number** | 03044398 |
| **Registered office** | 30-40 Eastcheap<br>London<br>England<br>EC3M 1HD |
| **Independent auditors** | Cooper Parry Limited<br>Chartered Accountants and Statutory Auditor<br>Sky View<br>Argosy Road<br>East Midlands Airport<br>Castle Donington<br>Derby<br>DE74 2SA |

**STRATEGIC REPORT (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2021**

The directors present the Strategic Report of Tilbury Douglas Engineering (the "Company") for the year ended 31 December 2021.

The Company undertakes design, installation and commissioning of mechanical and electrical services to buildings within the UK. National coverage and consistent service delivery to our clients, both in the public and private sector, is achieved through our regional offices that are located strategically throughout England

On the 27th May 2022 the Company was acquired by Tilbury Douglas Holdings Limited, along with its sister company Tilbury Douglas Construction Limited (formerly Interserve Construction Limited), to collectively form the Tilbury Douglas Group (the Group).

Simultaneously the Tilbury Douglas Group was acquired from Interserve Group Holdings Limited (IGHL), a subsidiary of Interserve Group Limited, by TD Bidco Limited. TD Bidco Limited is owned and controlled by the existing shareholders of Interserve Group Limited through either direct shareholdings or through a minority interest in IGHL.

**Business review**

2021 was impacted by the Covid-19 pandemic, however our results reflect the resilience of our people and benefits from actions taken by the Company to maintain contract selectivity, improving payments across our supply chain, and maintaining a very strong cash position at all times throughout the year. With government's continued support for our activities within industry, and guidance from Build UK and CIC we continually adapted to the changing external environment, we continued to strengthen our Healthcare sector delivery within local communities.

Our strong presence within the Healthcare sector has enabled us to forecast a longer-term outlook for the Company which remains positive supported by government and a proportion of private schemes.

The Company improved its profitability, and de-risked forecasts for 2022-23. We have a strong pipeline of opportunities – with expected increase in government core frameworks, Healthcare, Education, Justice, Defence. We remain targeted on core sectors that are forecast to grow, and our portfolio of activities equipped us to help mitigate the impact of inflationary measures and skilled labour fluctuations within the market.

2021 saw the Company continue its profitability with turnover of £66m (2020: £58m) for an operating profit of £3.0m (2020: £1.9m). The gross margin increased in the year to 9.2% from 8.8% in the prior year. However, the operating profit increased from £1.9m in the prior year to £3.0m in the current year. The Company had net assets of £2.9m at year end up from net assets of £0.6m from the prior year.

Our increased efficiency, reliable quality and stronger results have been driven through our thoughtful programme of improvement – Creating Sustainable Value (CSV). This work has delivered positive change and will be further strengthened and embedded through 2022/2023 as the team continues to modernise its methods of digital design and engineering solutions, including design for manufacture (MMC), the use of digitised techniques and records and assembly at site. Our intent here is to become a market-leading provider in the practical application of "smart" construction techniques.

We recognise our responsibility to improve the diversity and inclusivity of our team and our sector. Making it easier to attract, retain and encourage people across the fullest spectrum of our society, a truly diverse business will provide better decision making, risk mitigation and problem solving as a consequence of the quality of our people.

The Directors previously reviewed the Company's client base, market sectors and bid selectivity, de risking the exposure associated within the PFI sector, and continued its rigorous strict bid/no bid criteria. Margin enhancements resulted generally from targeting core frameworks, direct End-users and Blue-Chip main contractor partnerships, in-particular within Health, Education, Justice and Defence environments.

**Business review (continued)**

The Company continued its strategy to reduce reliance on main contractor competitively tendered schemes, with an increased focus on Frameworks such as Procure 22-23, Design for Life (DFL), Justice, Education & skills funding agency (ESFA). Delivering End-user direct works is a well embedded strategy, leading to secured orders for the City of London (CoL) Old Bailey, Selfridges, Credit Suisse, University of Lancaster and other Blue-Chip clients who recognise our capabilities and the value the Company brings to managing their Estate and asset's whist delivering a high-quality service and delivery.

The Directors continue to remain optimistic in relation to its core sectors and frameworks, such as Healthcare, Education, Justice, Defence and direct End-user plant replacement, which we are well placed to exploit both as a principal contractor and specialist supply chain partner. Our strategy remains focused upon low risk, government assets and end user clients that is partially hedged against any economic downturn, post Brexit and General Election.

At 31 December 2021 the Company had a future forward order book of £140m, with further key potential orders of £110m. As a result, we entered 2022 with 100% of the year's budgeted workload either secured or having preferred contractor status and with our focus on 2023 and beyond, are well placed to take advance of the UK Government stated intention to build a stronger economy, mitigate impact of the CV-19 pandemic, and manage inflationary pressures post BREXIT.

Our strategy, strong leadership team, and high repeat workload together with tight controls, strong order book provide important levels of confidence and future stability for our shareholders, employees and supply chain.

*COVID-19*

The business has proven resilient in the face of the COVID-19 pandemic. Overall, the Company has continued to generate profit and cash during the period. The business has carefully managed the retention and protection of core people capability and is actively engaged in recruitment to support a strong pipeline of secured and preferred bidder projects activity in 2021 and future years.

Standard operating procedures were adopted across all operations in order to protect people working on our projects. These procedures included social distancing measures which affected productivity across some operations. These productivity measures have adopted as new norms, and any cost exposure is now built into project forecasts.

**Results**

The results for the year ended 31 December 2021 are set out in the financial statements. The Company's profit before taxation was £2.9m (2020: £1.3m). Profit for the financial year was £2.3m (2020: £1.6m). The Company had net assets of £2.9m at year end up from net assets of £0.6m from the prior year.

**Health, Safety and the Environment - Key performance indicators**

The health, safety and well-being of all who work with us and around us is of the utmost importance: our care for colleagues, contractors and stakeholders.

The Accident Incidence Rate (AIR) for 2021 for our employees and supply chain was 0 (2020: 0). This is significantly better than the HSE benchmark for industry. The AIR measures serious injuries and accidents leading to more than seven day's absence from work. The AIR has continued to maintain at this point following the 2021 financial year.

### Health, Safety and the Environment - Key performance indicators (continued)

The Company continues to concentrate on its management of health and safety in 2022 with the objectives clearly focused on leading indicators to prevent incidents and injuries.

In 2021 our company was awarded the RoSPA Order of Distinction for the achievement of 20 consecutive annual Gold Safety Awards.

Achieving embedded cultural change through alignment of leadership and behaviors is at the forefront of the Company's approach. Our cultural change programme (I-CARE) is one of the distinguishing features that has led to The Company continuing to have no accidents in 2021 (2020: Nil).

### Technology

The Company continues to invest in the application of technology and digital techniques on its engineering projects aligned with accreditation for BS EN ISO 19650 in line with the new international BIM standards. Our digital design applications continue to offer efficiencies and reducing risks for mutual benefit of the Company, its supply chain and client.

The Company is now working to develop further our digital capabilities and are looking forward to, as well as aligning and standardising our internal processes and latest technology offerings, managed by our in-house self-delivery design team.

### Principal risks and uncertainties

### New Work

As with all businesses we require a steady flow of new business in order to provide the revenue to cover the company's costs and to meet any debt repayment obligations.

We actively monitor and manage the pipeline of projects in conversion from tender to Contract. Fortnightly meetings are held attended by the Chief Executive Officer and Chief Operating Officer where the pipeline of opportunities is discussed and updated with actions agreed. This links with the "Approval to Bid" process which considers opportunities and removes those which are not in line with our desired risk profile.

The company maintains an active business development team and new business targets and wins are reported on a monthly basis to the Board of Directors. Maintaining the company's position on the many Framework Agreements with public sector, university and public utility bodies is at the core of the company's strategy and the company maintains close dialogue with all awarding and monitoring bodies.

### Contract Delivery

Certainty of contract delivery remains a key focus and we expect to see further improvements as our system and process modernisation is bedded in. Contracts are monitored closely, and each month costs and likely outcomes are reviewed in detail by Contract Managers and the company's commercial team We continue to monitor compliance with legislation both at project and business unit level and are not aware of any material issues in this regard.

### Supply Chain and Inflation

The construction industry generally has recently suffered from labour shortages and inflationary pressures in respect of material prices. We work closely with our customers and suppliers to monitor and mitigate where possible the impact of external events beyond the Company control.

Volatility within the supply chain manufacturing processes, particularly for key inputs such as energy, fuel, materials as well as wage inflation will continue to fluctuate for some time to come.

**Principal risks and uncertainties (continued)**

To mitigate risk, the Company carefully considers overall project durations, along with the introduction of fluctuation clauses which allow the price of contracts to be adjusted to reflect changes in the law, the cost of materials and / or the cost of labour during the construction periods.

The Company recognises early planning, design and supply chain sourcing is even more important to control inflation, and this is an area we have chosen to strengthen over recent years. Our consideration to whether alternative design solutions, suppliers, materials or components could be substituted and or are less prone to the risk of delay and inflation is key, and we carry out regular financial checks on companies within our supply chain.

**Going Concern**

The directors regularly review financial forecasts, including cashflow projections, in order to ensure that the company will be able to meet its financial obligations as they fall due and will be in a position to comply with its lending covenants. Further details as to specific risks are included at note 2.2 to these Financial Statements.

Detailed forecasts are updated on a 6 monthly basis, whilst rolling 13 week cashflow forecasts are updated each week. The company is in regular dialogue with its lenders who are also shareholders and have representation on the Board of Directors.

**Financial risk management policy**

The Company's principal financial instruments comprise cash and a revolving credit facility provided by some of the owners of TD Bidco Limited, the ultimate parent company. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial instruments, such as trade debtors and trade creditors, which arise directly from its operations. The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

**Liquidity Risk**

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and a revolving credit facility.

**Credit Risk**

The Company only trades with recognised, creditworthy third parties. Receivables balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

**Section 172(1) statement**

Section 172 of the Companies Act requires directors to take the following matters into consideration in their decision making: the likely consequences of any decision in the long term; the interests of employees and shareholders; the need to build relationships with other key stakeholders, including customers and suppliers; the impact of the Company's operations on the communities and environment they operate in; and the benefits of maintaining a reputation for high standards of business.

When considering key or strategic matters the directors have regard for their duties owed on a company basis and not just on a Divisional or Group basis. The directors have access to expert legal advice through the Company's panel of internal and external legal advisors when considering such matters.

**Section 172(1) statement (continued)**

The directors also receive updates and refreshers on their duties and responsibilities as directors from the Company's legal advisors.

The directors of the Company meet on a regular basis as part of the Construction Leadership team, and matters are regularly tabled, which the directors should have regard to under Section 172, at their meetings and they recognise that the success of the Company is dependent on the way it works with its key stakeholders. When making decisions, particularly of a strategic nature, the directors have regard to the likely long-term impact of these decisions and also their responsibilities and duties to the Company's shareholders and other stakeholders.

The directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of the Company, and the Company's shareholders, creditors, employees and other stakeholders having regard to those matters. The following explains how the directors have done this for the period 1st January 2021 to the date of this Report.

The directors of the Company are committed to operating in accordance with the Company's values and to considering the interests of all its stakeholders in the decisions they make.

***Shareholders and lenders***

During 2021 the engagement with shareholders was managed by Interserve Group as the immediate parent company.

On the 27th May 2022 the Company was acquired by Tilbury Douglas Holdings Limited, along with its sister company Tilbury Douglas Construction Limited, to collectively form the Tilbury Douglas Group (the Group).

Simultaneously the Tilbury Douglas Group was acquired from Interserve Group Holdings Limited (IGHL), a subsidiary of Interserve Group Limited, by TD Bidco Limited. TD Bidco Limited is owned and controlled by the existing shareholders of Interserve Group Limited through either direct shareholdings or through a minority interest in IGHL.

Notwithstanding IGHL's indirect shareholding through TD Bidco Limited, the Tilbury Douglas Group has been separated from and is no longer a member of the Interserve Group.

The reorganisation of the Group and separation from the Interserve Group was agreed with a number of stakeholders, including lenders, bonders, and the trustee of the Interserve Pension Scheme. The guarantees associated with the Interserve Group debt have been waived.

***Employees***

The directors recognise that engagement with the Company's employees is key to ensuring the success of the Company and to maintain its competitive advantage and to meet the challenges of the uncertain and changing environment the Company operates in. The directors recognise that the success of the Company is dependent on the Company's employees' commitment to the Company and through them demonstrating the values of Tilbury Douglas Group. The directors also need to retain their key people and recruit, and train effective new people where necessary. The health, safety and wellbeing of the Company's employees is fundamental to the way the Company operates.

The directors undertake regular site visits to review operations, health and safety performance and to engage with employees across the business. The directors also actively promote the Your Voice Employee Engagement Survey and other employee engagement initiatives. As a result of the engagement initiatives, robust action planning is in place to support feedback from employees to the Your Voice survey.

**Section 172(1) statement (continued)**

***Employees (continued)***

The Company does not discriminate or differentiate in its approach to disabled persons. The Company supports and promotes the principles of The Equality Act 2010 with regard to all of the protected characteristics.

The Company promotes inclusivity and training and career development programmes for disabled persons in common with other employees. The Company's Equal Opportunities and Diversity Policy Statement is explained to all new employees. All personnel receive mandatory training in Equality, Diversity and Inclusion.

In 2021 the business implemented its flexible working policy and is committed to providing equality of opportunity in employment and to developing working practices that support work- life balance. The company recognises the value of flexible working arrangements through which it aims to:

- Reduce its carbon footprint by reducing commuting.
- Reduce the amount of personal time committed to commuting to assist with wellbeing and enable a better work life balance.
- Become a more inclusive employer.

***Customers***

Tilbury Douglas continue to successfully win and deliver projects to our government and regulated authority customers through our wide framework access. 85% of our sales in the period were in our core sectors of Health, Education, Justice and Defence. We are actively bidding a number of framework renewals including education, health and justice. We are pursuing private sector opportunities with customers we can trust and with the right risk profile. We are targeting planned growth in the private sector to provide resilience in the event of public sector cutbacks beyond 2025. We have a focused business improvement team ensuring that we continue to respond to market demands for enhanced community benefits, increased focus on low carbon construction, increased offsite manufacture, government construction playbook, and enhanced digital capability across all our portfolio of projects.

***Suppliers***

Concerns around the effect of Brexit and COVID at the start of 2021 have now been overtaken by market pressures stemming from the invasion of Ukraine. High demand, supply chain disruption and market pressures are leading to increases in both material and subcontractor prices.

In mitigation, we are incorporating escalation provisions in new tenders and contracts and collaborating with our supply chain and customers to explore alternative material specifications. We have a dedicated procurement team within the business who are continuously tracking key material availability and sharing latest data across the business and our customers.

Where possible we are securing our supply by making earlier commitments to our supply chain. Our business units themselves are playing their part by ensuring reliable planning, as its easier to push deliveries back than pull them forward. This means we are using more of our tried and tested supply chain from manufacturers to distribution to subcontractors.

Our technical teams are securing the approval of design and materials at the pre-construction phase of projects, to ensure that the maximum lead-in time for procurement is available. Where possible bulk orders are placed and held in distribution for call off to sites in smaller quantities as and when required. Procurement schedules are kept updated and regularly communicated to our key suppliers.

**Section 172(1) statement (continued)**

***Suppliers (continued)***

Our workload "building bias" and lower volumes of plant intensive infrastructure projects have meant that the recent disruptions to the supply of fuel have had little impact on our businesses. Whilst we are starting to see a gradual increase in staff working from our offices, this is not expected to return to pre-pandemic levels. We are seeking to harness the positive aspects we have adopted in terms of remote working and have formalised our policy for all staff.

***Community***

The directors recognise that prosperity depends on how we engage with the local communities in which we operate and that strong community relationships are key. Our business has a long history of creating social value and we continue to promote this mindset, inspiring outcomes that our people are proud of and creating career opportunities within the communities we are privileged to serve.

Our collaborative working relationships with our local supply chain are key to ensuring that most of our project spend is within 30 miles of our sites. During 2021 our project at DfL Prince Charles Hospital in South Wales continued to deliver community benefits through our trusted supply chain, bringing collateral value to the local neighboring community.

Community involvement is in the DNA of our people and we continue to support our 'Give a day of your time' initiative allowing staff to volunteer to help community causes with their time sponsored by Tilbury Douglas. The initiative has been very successful over the years.

***Environment***

The directors recognise that Sustainability is a key part of the Company's core values as a business, so engagement in relation the environment in which the Company operates is a key part of its operations.

**Going concern**

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of the approval of these financial statements.

The company, as from May 2022, is an integral part of the Tilbury Douglas Group which is funded on a group wide basis. The Directors, some of whom are also directors of Tilbury Douglas Holdings Limited, have carried out an assessment of the Tilbury Douglas Group forecasts (which includes the Company, Tilbury Douglas Construction Limited and Tilbury Douglas Holdings Limited, together the "Group") for the remainder of 2023 and through to January 2024. The forecasts include a base case scenario, which the directors believe to be the most likely outcome and a severe but plausible outcome which assumes a lower level of turnover and profitability. Other sensitivities have also been run.

There is a cash pooling arrangement within the Group which provides all entities with access to cash held within other Group entities. At the 31st December 2021 the Group held cash of £31.7m and at 31 December 2022 this balance was £11.0m. The group has access to a Revolving Facility of £20m which remains in place, assuming no default events, until June 2024. The facility which was granted in May 2022 had not been used by the date on which these financial statements were approved.

The Revolving Credit Facility includes financial covenants testing minimum liquidity, order book value and minimum levels of Profit Before Tax on a 12-month trailing basis. The Directors have performed an assessment of forecast performance against these covenants.

**Going concern (continued)**

The base case forecast assumes:

- Revenue in 2023 as supported by a conservative view of the latest order book position.
- Gross profit margins of circa 8% in 2023 and a pre-tax profit level in excess of £5m, after non-underlying items.
- Contract accruals or provisions will be cash settled at expected amounts.
- No material unwinding of the negative underlying working capital position within the group, which the directors consider to be unlikely providing that the group continues to win and deliver work at a rate at least equal to 2021 levels.
- No major impact from claims relating to historical matters (in Tilbury Douglas Construction Limited) substantially in excess of amounts already provided within the financial statements of Tilbury Douglas Construction Limited.

The severe but plausible scenario includes:

- An approximate 9.5% reduction in forecast revenue through the period to December 2023 against that assumed in the base case scenario.

This modelling showed that the Group is expected to remain profitable over the next 12 months and that there should be sufficient headroom in lending facilities and compliance with covenants which underpins the going concern assumption. In both forecast scenarios, including the severe but plausible, the Group is able to comply with its financial covenants, operate within its current facilities, and meet its liabilities as they fall due. In forming their judgement the directors are aware that there are events, such as a sudden and unexpected material reduction in turnover or the settlement of a material, unbudgeted contract dispute which could jeopardise the group's ability to exist within agreed facilities should they combine with other unexpected events. However, having taken a balanced approach to the preparation of the forecasts, the directors consider the aggregating of these events to be unlikely.

Having taken all of the above factors into account, and based upon the forecasts prepared, the directors believe that it is appropriate that the financial statements be prepared on a going concern basis.

**P F Gandy**
Director
Date: 31 January 2023

DocuSigned by:
Paul Gandy
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# DIRECTORS' REPORT
# FOR THE YEAR ENDED 31 DECEMBER 2021

The Directors present their Annual Report and the audited financial statements of Tilbury Douglas Engineering Limited (formerly Interserve Engineering Services Limited) (the "Company") for the year ended 31 December 2021.

The Company passed a special resolution on 8 March 2021 changing its name from Interserve Engineering Services Limited to Tilbury Douglas Engineering Limited.

## Results and dividends

Dividends paid during the year were £Nil (2020: £Nil). No final dividend was proposed (2020: £Nil).

## Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

P F Gandy
R S Mather
G H Restall
C N Tatton
M J Smith (appointed 3 January 2023)

## Directors' Indemnity Insurance

The Company maintains an appropriate level of directors' and officers' insurance in respect of legal actions against the directors. During 2021, and up to the date of separation, the insurance cover was provided through an Interserve Group policy. Subsequent to the separation from the Interserve Group, a new policy is in place to provide suitable cover. No cover is provided where the director has acted fraudulently or dishonestly.

## Auditor Limitation of Liability

By a resolution acted 6 December 2022 the Company entered into a Liability Limitation agreement with its auditors, Cooper Parry Group Limited. Any liability is limited to £15,000,000.

## Future developments

The Company reported a profit before tax of £2.9million in 2021, reflecting the work that has been done to turn the business around.

The Company separated from the Interserve Group on the 27th May 2022 with a funding package providing a level of liquidity that will enable the business to continue performing for our customers.

The Directors expect that the Company's financial performance will continue to improve in 2022 and beyond as a result of the continuing application of a risk-based approach to project selection. The Company retains a strong forward order book, continues to deliver on existing key frameworks and seeks new opportunities that will generate appropriate work for the future.

## Items covered in the strategic report

Please note the following items have been covered within the strategic report, going concern, consideration of relationships with suppliers, customers, employees, principal risks and uncertainties and financial risk management policies.

### Post Balance Sheet Events

On the 27th May 2022 the Company was acquired by Tilbury Douglas Holdings Limited, along with its sister company Tilbury Douglas Construction Limited, to collectively form the Tilbury Douglas Group (the Group).

Simultaneously the Tilbury Douglas Group was acquired from Interserve Group Holdings Limited (IGHL), a subsidiary of Interserve Group Limited, by TD Bidco Limited. TD Bidco Limited is owned and controlled by the existing shareholders of Interserve Group Limited through either direct shareholdings or through a minority interest in IGHL.

Notwithstanding IGHL's indirect shareholding through TD Bidco Limited, the Tilbury Douglas Group has been separated from and is no longer a member of the Interserve Group.

The reorganisation of the Group and separation from the Interserve Group was agreed with a number of stakeholders, including lenders, bonders, and the trustee of the Interserve Pension Scheme, who were subsequently granted a shareholding in TD Bidco Limited. The guarantees associated with the Interserve Group debt have been waived.

### Research and development

The Company undertakes research and development activities when providing services to clients. The direct expenditure incurred is not readily identifiable, as the investment is typically included in the relevant project.

### Streamlined Energy and Carbon Reporting (SECR)

### Reporting Boundary

Tilbury Douglas have chosen an operational control consolidation approach to account for emissions.

### Reporting Methodology

This report follows the methodology set out in ISO 14064 Part 1 2018 and CEMARs, externally verified by Achilles. All calculations were carried out using the GHG factors as published by the Department for the Environment and Rural Affairs (DEFRA).

Methodology for calculating carbon emissions changed from 2020 to 2021. Tilbury Douglas Engineering Limited was still a part of Interserve Group in 2020, therefore 2020 emissions for Tilbury Douglas Construction limited and Tilbury Douglas Engineering Limited were reported together. To separate them into two individual SECR reports after the ISO 14064-1 audit was completed, emissions were calculated using full time equivalent figures. In 2021, emissions were reported separately within the reporting system and therefore did not require further calculations and therefore were prepared in a legal entity basis.

### Greenhouse Gases Reported

All greenhouse gas emissions are reported in tonnes of carbon dioxide equivalent ($tCO_2e$) to account for all six of the Kyoto Protocol GHG's.

### Emissions Sources

The operational GHG emissions for the organisation by emissions sources are shown below – these include Scope 1, Scope 2 and operational Scope 3 emissions.

- Fuel combustion: Natural gas, diesel, and gas oil
- Purchased electricity

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

**Emissions Sources (continued)**

- Business travel (employee-owned vehicles, rail, air, taxi), employee commuting, electricity T&D losses, waste to landfill and water.

**Intensity Ratio**

Tilbury Douglas uses Turnover/Revenue (£millions) as its intensity metric to normalise and compare its emissions over time and best reflects changes in the business. Intensity ratio = $tCO_2e$ / £million.

**Data Sources**

All data sources for 2021 have been reviewed and audited during Carbon Reduce (ISO 14064 Part 1 2018) certification.

Electricity and Gas Consumption Validated electricity and gas invoices from Optima Energy.

**Environmental Statement**

Tilbury Douglas recognise the impact the business has on the natural environment and are committed to being a responsible business. This is outlined in Tilbury Douglas' new sustainability strategy and core business values. To ensure progress and transparency, Achilles will continue to audit our greenhouse emissions.

Our environmental objectives:

- Mitigating climate change through reducing carbon emissions associated with our use of fuel, energy and travel
- Support a circular economy through the minimisation of waste and better waste management
- Promote responsible and sustainable sources procured throughout every project
- Support our clients and suppliers be more sustainable
- Reduce our water use
- Prevent environmental incidents on every project

Throughout 2021, we have made progress towards achieving our aim of making a positive contribution through our own operations. This includes reducing our relative carbon emissions by 27% (based on emissions calculated in the Carbon Reduce certification), which has been driven by a reduction in fuel use from our fleet and employee commuting. All performance metrics will be continuously monitored.

**Energy Efficiency Action**

In 2021, Tilbury Douglas flexible working policy aided in the continued reduction of energy consumed in offices and fuel used for business travel and commuting. This is further supported by encouraging staff to also take public transportation when safe, and make use of cycle-to-work and car share schemes as appropriate.

The below are further measures that are currently in place or will be shortly:

- Updating infrastructure to include electric charging points across the Tilbury Douglas estate and temporary sites, where possible.
- Transition to energy efficient site accommodation.
- Encourage innovative technologies and diesel alternatives for plant – such as the use of HVO.
- Full Tilbury Douglas estate on green tariff.
- Working towards green tariff on sites where we are responsible for electricity and encouraging the use of a green tariff where we are not responsible
- Encourage reduction in business travel

**TILBURY DOUGLAS ENGINEERING LIMITED (FORMERLY INTERSERVE ENGINEERING SERVICES LIMITED)**

**DIRECTORS' REPORT (CONTINUED)**
**FOR THE YEAR ENDED 31 DECEMBER 2021**

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

**Energy Efficiency Action (continued)**

Tilbury Douglas have committed to being operationally net zero by the end of 2023. This will be done by reducing our consumption, improving energy efficiency and offsetting any residual emissions.

GHG emissions and energy use for period 01 January 2021 to 31 December 2021

| | 2021 | 2020 |
|---|---|---|
| Energy consumption used to calculate emissions (kWh) | 765,216.42 | 1,851,393.05 |
| Gas (kWh) | 333,052.56 | 91,665.94 |
| Electricity (kWh) | 186,420.74 | 286,592.77 |
| Transport fuels (kWh) | 22,358.93 | 497,751.28 |
| Other energy sources (Scope 1 & 2) kWh | 191,559.06 | 975,383.05 |
| Emissions from combustion of gas $tCO_2e$ (Scope 1) | 61.01 | 16.85 |
| Emissions from combustion of fuel for transport purposes $tCO_2e$ (Scope 1) | 5.61 | 13.66 |
| Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing of the fuel $tCO_2e$ (Scope 3) | 7.96 | 112.60 |
| Emissions from purchased electricity $tCO_2e$ (Scope 2, location-based) | 39.58 | 66.82 |
| Total gross emissions $tCO_2e$ based on the above | 114.16 | 209.93 |
| Total gross emissions from above by unit turnover/revenue ($tCO_2e$/£M) | 1.72 | 3.63 |
| Methodology | ISO14064 Part 1 2018 and Carbon Reduce | ISO14064 Part 1 2018 and CEMARS |
| Emissions from other activities which the Company owns or controls including operation of facilities $tCO_2e$ (Scope 1) | 52.33 | 45.30 |
| Emissions from global electricity use (excluding UK and offshore) $tCO_2e$ (Scope 2) | N/A | N/A |
| Emissions from heat, stream and cooling purchased for own use $tCO_2e$ (Scope 2) | N/A | N/A |
| Emissions from other activities $tCO_2e$ (Scope 3) | 12.15 | 6.26 |
| Total other emissions $tCO_2e$ | 64.48 | 51.56 |
| **Total gross Scope 1, Scope 2 & Scope 3 emissions $tCO_2e$** | **178.64** | **261.49** |
| **Total gross GHG emissions per unit turnover/revenue ($tCO_2e$/£M)** | **2.69** | **4.52** |
| Third Party verification | Verified to ISO14064 Part 1 2018 and Carbon Reduce | Verified to ISO14064 Part 1 2018 and CEMARS |

### Directors' responsibilities statement

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 elected to prepare the financial statements in accordance with applicable law and UK – adopted International Financial Reporting Standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International 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.

The directors 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.

### Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

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

### Independent auditors

Under section 487(2) of the Companies Act 2006, Cooper Parry Group Limited will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the financial statements with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf by:

DocuSigned by:
Paul Gandy
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**P F Gandy**
Director
Date: 31 January 2023

# Independent Auditor's Report to the Members of Tilbury Douglas Engineering Limited (formerly Interserve Engineering Services Limited)

## Opinion

We have audited the financial statements of Tilbury Douglas Engineering Limited (formerly Interserve Engineering Limited) (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK – adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the period then ended;
- have been properly prepared in accordance with UK – adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

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

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditors' 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 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.

# Independent Auditor's Report to the Members of Tilbury Douglas Engineering Limited (formerly Interserve Engineering Services Limited)

### 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.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

# Independent Auditor's Report to the Members of Tilbury Douglas Engineering Limited (formerly Interserve Engineering Services Limited)

**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.

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:

Our assessment focused on key laws and regulations the Company has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Companies Act 2006, UK – adopted international accounting standards.

**Auditor's responsibilities for the audit of the financial statements**

We are not responsible for preventing irregularities. Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non compliance with applicable laws and regulations, included, but was not limited to, the following;

- the senior statutory auditor ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- designing our audit procedures to respond to our risk assessment.
- obtaining an understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework.
- obtaining an understanding of the entity's policies and procedures and how the entity has complied with these, through discussions and sample testing of controls, including discussions with the Health, Safety and Environment director and Head of Legal.
- obtaining an understanding of the entity's risk assessment process, including the risk of fraud.
- performed analytical procedures to identify any unusual or unexpected transactions;
- obtaining an understanding and testing the assumptions and calculations involved in the recognition of long term contracts, including reviews of forecasts, detailed cost allocation testing and a review of the completeness of provisions for loss making contracts;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 3 were indicative of potential bias in particular the calculation of provisions in respect of onerous contracts and rectifications; and
- performing audit testing over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business.

**Auditor's responsibilities for the audit of the financial statements (continued)**

In response to the risk of irregularities in relation to non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation:
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims and reviewing legal and professional expenses;
- reviewing correspondence with HMRC and associated parties.

Whilst considering how our audit work addressed the detection of irregularities, we also consider the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

**Use of our report**

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

Cooper Parry Group Limited

Alison Fovargue (Senior Statutory Auditor)
for and on behalf of
**Cooper Parry Group Limited**

Chartered Accountants, Statutory Auditor
Sky View, Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 31 January 2023

## TILBURY DOUGLAS ENGINEERING LIMITED (FORMERLY INTERSERVE ENGINEERING SERVICES LIMITED)

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2021

| | Note | 2021<br>£000 | 2020<br>£000 |
|---|---|---|---|
| Turnover | 4 | **66,472** | 57,892 |
| Cost of sales | | **(60,347)** | (52,782) |
| **Gross profit** | | **6,125** | 5,110 |
| Administrative expenses | | **(4,428)** | (4,548) |
| Other operating income | 5 | **1,292** | 1,305 |
| **Operating profit** | 6 | **2,989** | 1,867 |
| Exceptional costs | 10 | **-** | (300) |
| Interest receivable and similar income | 11 | **-** | - |
| Interest payable and similar expenses | 12 | **(45)** | (300) |
| **Profit before taxation** | | **2,944** | 1,267 |
| Tax (charge)/credit on profit | 13 | **(595)** | 342 |
| **Profit for the financial year** | | **2,349** | 1,609 |
| **Total comprehensive income for the financial year** | | **2,349** | 1,609 |

All activities of the Company are classified as continuing.

The notes on pages 24 to 51 form part of these financial statements.

**TILBURY DOUGLAS ENGINEERING LIMITED (FORMERLY INTERSERVE ENGINEERING SERVICES LIMITED)**

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

| | Note | 2021 £000 | 2020 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 14 | - | - |
| Tangible assets | 15 | - | 4 |
| Right of use assets | 16 | 376 | 524 |
| Trade and other receivables | 17 | 757 | 640 |
| Deferred tax assets | 20 | 178 | 72 |
| **Total non-current assets** | | 1,311 | 1,240 |
| **Current assets** | | | |
| Trade and other receivables | 17 | 12,827 | 9,680 |
| Cash at bank and in hand | 18 | 9,483 | 6,196 |
| Corporation tax | | 949 | 972 |
| **Total current assets** | | 23,259 | 16,848 |
| **Total assets** | | 24,570 | 18,088 |
| **Current liabilities** | | | |
| Trade and other payables | 19 | (18,443) | (15,680) |
| Lease liability | 16 | (307) | (263) |
| **Total current liabilities** | | (18,750) | (15,943) |
| **Non-current liabilities** | | | |
| Trade and other payables | 19 | (335) | (309) |
| Lease liability | 16 | (48) | (223) |
| Other provisions | 21 | (2,503) | (1,028) |
| **Total non-current liabilities** | | (2,886) | (1,560) |
| **Total liabilities** | | (21,636) | (17,503) |
| **Net assets** | | 2,934 | 585 |
| **Equity** | | | |
| Called up share capital | 23 | 5,000 | 5,000 |
| Profit and loss account | 24 | (2,066) | (4,415) |
| **Total equity** | | 2,934 | 585 |

**STATEMENT OF FINANCIAL POSITION (CONTINUED)**
**AS AT 31 DECEMBER 2021**

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

DocuSigned by:
George Restall
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**G H Restall**
Director
Date: 31 January 2023

DocuSigned by:
Paul Gandy
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**P F Gandy**
Director
Date: 31 January 2023

The notes on pages 24 to 51 form part of these financial statements.

**TILBURY DOUGLAS ENGINEERING LIMITED (FORMERLY INTERSERVE ENGINEERING SERVICES LIMITED)**

## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2021

| | Called up share capital | Profit and loss account | Total equity |
|---|---|---|---|
| | £000 | £000 | £000 |
| **At 1 January 2020** | **5,000** | **(6,024)** | **(1,024)** |
| **Comprehensive income for the financial year** | | | |
| Profit for the financial year | - | 1,609 | 1,609 |
| **Total comprehensive income for the financial year** | **-** | **1,609** | **1,609** |
| **At 31 December 2020 and 1 January 2021** | **5,000** | **(4,415)** | **585** |
| **Comprehensive income for the financial year** | | | |
| Profit for the financial year | - | **2,349** | **2,349** |
| **Total comprehensive income for the financial year** | **-** | **2,349** | **2,349** |
| **Balance at 31 December 2021** | **5,000** | **(2,066)** | **2,934** |

The notes on pages 24 to 51 form part of these financial statements.

**TILBURY DOUGLAS ENGINEERING LIMITED (FORMERLY INTERSERVE ENGINEERING SERVICES LIMITED)**

**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2021**

| | Note(s) | 2021 | 2020 |
|---|---|---|---|
| | | £000 | £000 |
| **Cash flow from operating activities** | | | |
| Cash generated from operations | 25 | 3,685 | 4,550 |
| Tax received / (paid) | | (86) | 161 |
| **Net cash generated from operating activities** | | 3,599 | 4,711 |
| **Cash flows from investing activities** | | | |
| Purchase of tangible assets | | - | (3) |
| **Net cash utilised in investing activities** | | - | (3) |
| **Cash flows from financing activities** | | | |
| Repayment of amounts owed to group undertaking | | - | (8,310) |
| Interest paid | | (45) | (264) |
| Payment of lease liability | | (267) | (112) |
| **Net cash utilised in financing activities** | | (312) | (8,686) |
| **Net (increase) / decrease in cash and cash equivalents** | | 3,287 | (3,978) |
| Cash and cash equivalents at the beginning of the financial year | | 6,196 | 10,174 |
| **Cash and cash equivalents at the end of the financial year** | | 9,483 | 6,196 |

The notes on pages 24 to 51 form part of these financial statements.

## 1. General information

Tilbury Douglas Engineering Limited (the "Company") is a private company, limited by shares, registered in England and Wales. The address of its registered office is 30-40 Eastcheap, London, England, EC3M 1HD.

The Company undertakes design, installation and commissioning of mechanical and electrical services to buildings within the UK. National coverage and consistent service delivery to our clients, both in the public and private sector, is achieved through our regional offices that are located strategically throughout England.

## 2. Accounting policies

### 2.1. Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention, except for items that are required to be stated at fair value, and in accordance with UK - adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The Company's functional and presentational currency is Sterling.

The preparation of financial statements in compliance with UK - adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

**Changes in accounting policies**

*New standards, interpretations and amendments*

Accounting pronouncements which have become effective from 1 January 2021 and have therefore been adopted do not have a significant impact on the Company's financial results or position. These include:

- Covid-19 relates rent concessions beyond 30 June 2021 (Amendments to IFRS16)
- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

*New standards and interpretations not yet adopted*

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

## 2. Accounting policies (continued)

### 2.2 Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Company can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of the approval of these financial statements.

The company, as from May 2022, is an integral part of the Tilbury Douglas Group which is funded on a group wide basis. The Directors, some of whom are also directors of Tilbury Douglas Holdings Limited, have carried out an assessment of the Tilbury Douglas Group forecasts (which includes the Company, Tilbury Douglas Construction Limited and Tilbury Douglas Holdings Limited, together the "Group") for the remainder of 2023 and through to January 2024. The forecasts include a base case scenario, which the directors believe to be the most likely outcome and a severe but plausible outcome which assumes a lower level of turnover and profitability. Other sensitivities have also been run.

There is a cash pooling arrangement within the Group which provides all entities with access to cash held within other Group entities. At the 31st December 2021 the Group held cash of £31.7m and at 31 December 2022 this balance was £11.0m. The group has access to a Revolving Facility of £20m which remains in place, assuming no default events, until June 2024. The facility, which was granted in May 2022, had not been used by the date on which these financial statements were approved.

The Revolving Credit Facility includes financial covenants testing minimum liquidity, order book value and minimum levels of Profit Before Tax on a 12-month trailing basis. The Directors have performed an assessment of forecast performance against these covenants.

The base case forecast assumes:

- Revenue in 2023 as supported by a conservative view of the latest order book position.
- Gross profit margins of circa 8% in 2023 and a pre-tax profit level in excess of £5m, after non-underlying items.
- Contract accruals or provisions will be cash settled at expected amounts.
- No material unwinding of the negative underlying working capital position within the group, which the directors consider to be unlikely providing that the group continues to win and deliver work at a rate at least equal to 2021 levels.
- No major impact from claims relating to historical matters (in Tilbury Douglas Construction Limited) substantially in excess of amounts already provided within the financial statements of Tilbury Douglas Construction Limited.

The severe but plausible scenario includes:

- An approximate 9.5% reduction in forecast revenue through the period to January 2024 against that assumed in the base case scenario.

This modelling showed that the Group is expected to remain profitable over the next 12 months and that there should be sufficient headroom in lending facilities and compliance with covenants which underpins the going concern assumption. In both forecast scenarios, including the severe but plausible, the Group is able to comply with its financial covenants, operate within its current facilities, and meet its liabilities as they fall due. In forming their judgement the directors are aware that there are events, such as a sudden and unexpected material reduction in turnover or the settlement of a material, unbudgeted contract dispute which could jeopardise the group's ability to exist within agreed facilities should they combine with other unexpected events. However, having taken a balanced approach to the preparation of the forecasts, the directors consider the aggregating of these events to be unlikely.

Having taken all of the above factors into account, and based upon the forecasts prepared, the directors believe that it is appropriate that the financial statements be prepared on a going concern basis.

## 2. Accounting policies (continued)

### 2.3 Intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised in a straight-line basis over their useful economic lives.

Amortisation is provided on all intangible assets other than goodwill, 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;

| | |
|---|---|
| Computer software | - 33.3% |

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

If software is purchased through a contract, then amortisation will be on a straight-line basis over the term of the contract.

### 2.4 Tangible assets

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of the dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all tangible assets other than freehold land, 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;

| | |
|---|---|
| Plant and machinery | - 20% |
| Fixtures and fittings | - 20% |
| Computer equipment | - 33.3% |

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

**2. Accounting policies (continued)**

**2.5 Current and deferred taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

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 Statement of Financial Position 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 the deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) or other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred tax is charged or credited in the Statement of Comprehensive Income, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**2.6 Research and development**

Expenditure on research and development is written off in the year in which it is incurred.

## 2. Accounting policies (continued)

### 2.7 Leases

A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the right-of-use asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Company has the right to direct the use of the identified asset throughout the period of use; and
- the Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use;

**Measurement and recognition of leases as a lessee**

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the Statement of Financial Position. The lease liability is measured at an amount equal to the present value of future lease payments over the lease term, and subsequently adjusted for interest and lease payments. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, an estimate of any costs to dismantle and remove the asset at the end of the lease, payments made at or before lease commencement date, less any incentives received. The right-of-use asset is measured at cost less accumulated depreciation.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company is required to reassess the lease liability for changes in cash flows that are the result of contractual clauses that have been a part of the contract since inception. The liability will, therefore, be reassessed for changes in lease term due to extension or termination options being exercised, variable lease payments that are dependent on an index or a rate, the exercise of a purchase option and changes in amounts expected to be paid under a residual value guarantee. The Company also assesses the right-of-use asset for impairment when such indicators exist.

## 2. Accounting policies (continued)

### 2.7 Leases (continued)

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has applied the recognition exemption available for short-term leases (lease term of 12 months or less) and leases of low-value assets; £5,000 or less. Where this exemption has been applied, lease payments are recognised as a straight-line operating expense over the lease term.

The Company has taken certain practical expedients available under the IFRS 16 Standard:

*Separation of lease components from non-lease components:*
The Company has elected not to separate lease components from associated non-lease components on vehicle leases, and instead account for these as a single lease component. The service costs on leased vehicles are regarded as a non-lease component and incorporated into the fixed rental payments.

*Initial direct costs:*
Costs incurred in negotiating or securing a lease arrangement form part of the initial measurement of the right of use asset. The Company has taken a practical expedient to exclude such costs from the right of use assets recognised under IFRS 1.

### 2.8 Employee benefit costs

For the defined contribution scheme the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

### 2.9 Turnover

Turnover is earned from the provision of advice, design, supply and installation services to buildings across a range of sectors in both public and private markets. Turnover is measured at the fair value of the consideration receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The Company enters into construction contracts on a fixed and variable fee basis. The contract is assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. The Company recognises the performance obligation related turnover over time using the percentage of completion method of accounting. The percentage of completion is calculated based on the ratio of costs incurred to date compared with the total expected costs for that contract. Profit on such contracts in progress is taken when the outcome of the contract can be assessed with reasonable certainty. Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of costs incurred, if it is probable that they will be recovered.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately and held on the balance sheet in accruals.

The estimation technique used in attributing profit made on contracts to a particular period is reviewed with reference to forecasts monitored by contact managers on a contract by contract basis. These focus on turnover and costs to complete and enable an assessment to be made of the final outturn of each contract.

## 2. Accounting policies (continued)

### 2.9 Turnover (continued)

Turnover for contract variations, claims and bonus payments in respect of completing projects ahead of a targeted cost are included as variable consideration in the Company's estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur. In making this assessment, the Company considers its historical record of performance on similar contracts, whether the Company has access to the labour and materials resources needed to meet the contract programme, and the potential impact of other reasonably foreseen constraints.

Construction projects do not typically include significant financing components. Where specific material contractual advanced payments are made, which are not for the purposes of proportionately providing security of payment to the Company, then the contract consideration is reduced to reflect the value of the financing component which is then included within finance income in the Statement of Comprehensive Income.

Contract assets, which are included in 'trade and other receivables' as "amounts recoverable on contracts", are recognised as the proportion of performance obligations fulfilled by the Company and for which the definitive right to receive cash was subject approval and receipt of a payment certificate. Contract assets are converted into a construction contract debtor, also included in 'trade and other receivables', at the point the amount is certified and invoiced; resulting in the Company's unconditional right to receive cash. Contract assets therefore represent a portion of future payments receivable by the Company under existing contracts.

When payments received from customers exceed turnover recognised to date on a particular contract, any excess (a contract liability) is included in 'trade and other payables' as contract liabilities, "payments on account". Material costs incurred in bidding for and mobilising contracts that related directly to a contract and are incurred in securing the contract are also included as part of the contract costs if they can be separately identified and measured reliably from the point that it is probable the contract will be obtained.
The company has taken advantage of the practical exemption to expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

### 2.10 Financial instruments

#### Financial assets

The Company classifies its financial assets depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

*Amortised cost*
These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at transaction cost plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are however normally recognised at transaction costs as they are normally settled within less than one year hence the Company presumes that the trade receivables do not have a significant financing component.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable,

## 2. Accounting policies (continued)

### 2.10 Financial instruments (continued)

the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for amounts owed by group undertakings are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Company's financial assets measured at amortised cost comprise trade and other receivables, amounts owed by group undertakings and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents include cash in hand, call deposits and other short-term liquid investments with original maturities of three months or less. Cash and short-term deposits at the reporting date are offset against bank loans and overdrafts where formal rights of set-off exist and there is an intention to settle on a net basis.

**Financial liabilities**

The Company classifies its financial liabilities depending on the purpose for which the liability was acquired.

The Company's accounting policy is as follows:

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

### 2.11 Impairment of non- financial assets

Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in the Statement of Comprehensive Income.

### 2.12 Exceptional items

Exceptional items are those that the Company consider to be non-recurring and significant in size or in nature. Exceptional items include: the costs associated with redundancy programmes and the financial impact of commercial negotiations.

### 2.13 Provisions and contingent liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision presented in the income statement net of any virtually certain reimbursement.

Onerous contract provisions are made where the forecast costs of completing a contract exceed the forecast income generated over the life of the project.

## 2. Accounting policies (continued)

### 2.13 Provisions and Contingent Liabilities (continued)

Contract rectification provisions include cost of construction site clearance, remedial costs required to meet client's contractual terms and potential claims under contract warranties.

Dilapidation provisions include amounts in relation to restoration of leased premises. These provisions will be released as the properties are exited and negotiations with landlords over early termination of leases and the amounts of dilapidation payable are completed.

Other provisions include an allowance for old contract liabilities that were not migrated across into the new finance system, and these are expected to be utilised in 2022 and beyond.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

### 2.14 Contract costs

The Company recognises an asset in relation to incremental costs that would not have been incurred had that individual contract not been obtained and also where they expect to recover the costs from the customer over a certain period of time. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. As a practical expedient, incremental costs of obtaining a contract are expensed if the amortisation period is less than one year. Any other costs of obtaining a contract are expensed when incurred, unless they are explicitly chargeable to the customer regardless of whether the contract is obtained or not.

### 2.15 Other operating income

Grants relating to research and development expenditure credits ("RDEC") is recognised when the requirements are met and is recognised in the statement of comprehensive income (within other operating income) in the period to which it relates to.

### 3. Critical accounting judgements and key sources of estimation and uncertainty

In the preparation of the financial statement's management makes certain judgements and estimates that impact the financial statements. While these judgements are continually reviewed the facts and circumstances underlying these judgements may change resulting in a change to the estimates that could impact the results of the Company.

*Revenue and margin recognition*

Determining the amount of any revenue to be recognised, costs to complete and assessment of any other costs arising, the impact of any changes in scope of work, together with the level of recoverable work-in-progress and receivables requires significant management judgements and estimates.

The policy for revenue recognition on long term construction and service contracts is set out in note 2.9. As acknowledged there, no margin is recognised on construction contracts until the outcome of the contract can be assessed with reasonable certainty - this assessment in itself is highly judgmental and is generally not achieved until the project has achieved substantial progress. This assessment is aided by the use of benchmark, but rebuttable, assumptions that are used to aid consistency but remain subject to regular management challenge and review for appropriateness.

Further judgements are made on an on-going basis with regards to the recoverability of amounts due from customers and other related parties, liabilities arising and the requirement for forward loss provisions. Regular forecasts are compiled on the outcomes of these types of contracts, which require assessments and judgements relating to the value of work performed, changes in work scopes, contract programmes and maintenance obligations.

*Provisions*

The company holds a rectification provision to cater for the duration up to the contract deed obligations following the defects liability period. This is reviewed on an annual basis by the management team of the company and the value is adjusted dependent on the level of risk assessed.

## 4. Turnover

The Company's turnover arises in the UK from its activities for the provision of design, supply, and installation of services to buildings. The construction contracts are on a fixed and variable fee basis and revenue is recognised over time.

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Turnover | **66,472** | 57,892 |

The turnover of the Company for the year has been wholly undertaken in the United Kingdom.

The Company has recognised the following assets and liabilities related to contracts with customers:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Contract Assets** | | |
| At 1 January | **750** | 2,585 |
| Transfers in the year from contract assets to trade receivables | **(750)** | (1,959) |
| Excess of revenue recognised over cash (or rights to cash) being recognised during the year | **884** | 124 |
| At 31 December | **884** | 750 |
| **Contract liabilities** | | |
| At 1 January | **57** | 79 |
| Amounts recognised as revenue during the year | **(50)** | (79) |
| Cash received in advance of performance and not recognised as revenue during the year | **1,015** | 57 |
| At 31 December | **1,022** | 57 |

Construction contract assets related to the portion of performance obligations already fulfilled by the Company and for which the definitive right to receive cash was subject to completing further work under the relevant contracts. Construction contract assets are converted into amounts due from construction contracts at the point the work delivered to the client is invoiced resulting in the Company's unconditional right to receive cash. Construction contract assets therefore represent a portion of future payments receivable by the Company under existing contracts.

Contract liabilities consist mainly of cash advances received from customers on account of orders received and the remaining liabilities relate to the amount of performance obligations still to be fulfilled and for which payment has already been received from the client.

The following table shows how much of the revenue recognised in 2021 and 2020 relates to brought-forward contract balances:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Revenue recognised in the year that was included in the contract liability balance at the beginning of year | 50 | 79 |

## 4. Turnover (continued)

***Remaining performance obligations***

The majority of the Company's contracts are for the delivery of goods within the next 12 months for which the practical expedient in paragraph 121(a) of IFRS 15 applies. However, certain contracts have been entered into for which both:

- the original contractual period was greater than 12 months; and
- the Company's right to consideration does not correspond directly with the performance.

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is analysed as follows:

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| One year | **43,175** | 25,889 |
| Two to five years | **26,609** | 11,542 |
| | **69,784** | 37,431 |

Additional consideration relating to potential contract variations has been constrained in estimating contract revenue in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the amount of final variations has been determined. Therefore, the above amounts do not include the amounts of such variable consideration that has been constrained.

## 5. Other operating income

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Research and development tax credits | **1,292** | 1,305 |

## 6. Operating profit

The operating profit is stated after charging/(crediting):

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Depreciation** | | |
| - On owned assets | **4** | 2 |
| - On right of use assets | **416** | 432 |
| **Short-term lease rentals** | | |
| Research and development expenditure | **11,001** | 14,245 |
| Research and development reclamation | **(1,292)** | (1,305) |
| Contract costs | **60,347** | 41,908 |

## 7. Auditor's remuneration

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Fees payable to the Company's auditors for the audit of the Company's annual financial statements. | **75** | 75 |
| **Non-audit services** | | |
| Tax | **9** | - |
| | **84** | 75 |

## 8. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Wages and salaries | **11,959** | 10,828 |
| Social security costs | **1,197** | 1,009 |
| Other pension costs | **1,665** | 1,485 |
| | **14,821** | 13,322 |

Grant income from the Coronavirus Job Retention scheme is offset in staff costs was £nil in 2021 (2020: £100,000).

The average monthly number of employees, including the directors, during the year was follows:

| | 2021 Number | 2020 Number |
|---|---|---|
| Production | **108** | 103 |
| Administration | **112** | 110 |
| | **220** | 213 |

## 9. Directors' remuneration

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Aggregate directors' remuneration | **272** | 206 |
| Company contributions to defined contribution pension schemes | **14** | 13 |
| | **286** | 219 |

Highest paid director:

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Aggregate directors' remuneration | **286** | 219 |

During the year one director was remunerated for their services to the Company by Tilbury Douglas Engineering Limited.

During the year three directors were remunerated for their services to the Company by Tilbury Douglas Construction Limited. Their remuneration is disclosed in the accounts of that Company. It is not considered practicable to allocate their remuneration between the companies of which they are directors.

## 10. Exceptional costs

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Exceptional costs | **-** | 300 |

The non-underlying costs relate to a redundancy programme and Interserve's group wide performance improvement plan, Fit for Growth, aimed at improving margin performance to industry norms which started in November 2017 and concluded in 2020.

## 11. Interest receivable and similar income

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Other interest income | **-** | - |

## 12. Interest payable and similar expenses

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Other interest payable | **45** | 36 |
| Group interest payable | **-** | 264 |
| | **45** | 300 |

## 13. Tax on profit

| | 2021 £000 | 2020 £000 |
|---|---|---|
| **Corporation tax:** | | |
| Current tax on profits for the financial year | **360** | 270 |
| Adjustments in respect of previous periods | **341** | (731) |
| **Total current tax** | **701** | (461) |
| **Deferred tax:** | | |
| Deferred tax for the financial year | **(62)** | 15 |
| Change in rate | **(43)** | (9) |
| Adjustments in respect of previous periods | **(1)** | 113 |
| **Total deferred tax** | **(106)** | 119 |
| **Total tax (credit)/charge for the financial year** | **595** | (342) |

### Factors affecting tax (credit)/charge for the year

The tax assessed for the year is higher than (2020: lower than) the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%). The differences are explained below:

| | 2021 £000 | 2020 £000 |
|---|---|---|
| Profit before taxation | **2,944** | 1,267 |
| Profit before taxation multiplied by the respective standard rate of corporation tax 19.0% (2020: 19.0%) | **559** | 241 |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | **5** | 84 |
| Utilisation of previously unrecognised tax losses | **-** | (40) |
| Change in rate of deferred tax | **(43)** | (9) |
| Adjustments in respect of previous periods | **341** | (618) |
| Income not deductible for tax purposes | **(267)** | - |
| **Total tax (credit)/charge for the financial year** | **595** | (342) |

### Factors affecting future tax charges

On 3 March 2021, the Chancellor of the Exchequer announced that the corporation tax rate would increase to a maximum of 25% from 1 April 2023. This was substantively enacted on 24 May 2021. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised, based on tax law and the corporation tax rates that have been enacted, or substantively enacted, at the balance sheet date. As such, the deferred tax rate applicable at 31 December 2021 is 25% and deferred tax has been re-measured at this rate.

## 14. Intangible assets

| | Computer software £000 |
|---|---|
| **Cost** | |
| 1 January 2020 | 23 |
| Additions | - |
| **At 31 December 2020** | **23** |
| Disposals | (23) |
| **At 31 December 2021** | **-** |
| | |
| **Accumulated amortisation** | |
| 1 January 2020 | 23 |
| Charge for the year | - |
| **At 31 December 2020** | **23** |
| Disposals | (23) |
| **At 31 December 2021** | **-** |
| | |
| **Net book value** | |
| **At 31 December 2021** | **-** |
| At 31 December 2020 | - |

## 15. Tangible assets

| | Plant and machinery £000 | Fixtures and fittings £000 | Computer equipment £000 | Total £000 |
|---|---|---|---|---|
| **Cost** | | | | |
| 1 January 2020 | 25 | 6 | 278 | 309 |
| Additions | - | - | 3 | 3 |
| **At 31 December 2020** | **25** | **6** | **281** | **312** |
| Disposals | (25) | (6) | (281) | (312) |
| **At 31 December 2021** | **-** | **-** | **-** | **-** |
| | | | | |
| **Accumulated depreciation** | | | | |
| 1 January 2020 | 25 | 6 | 275 | 306 |
| Charge for the year | - | - | 2 | 2 |
| **At 31 December 2020** | **25** | **6** | **277** | **308** |
| Charge for the year | - | - | 4 | 4 |
| Disposals | (25) | (6) | (281) | (312) |
| **At 31 December 2021** | **-** | **-** | **-** | **-** |
| | | | | |
| **Net book value** | | | | |
| **At 31 December 2021** | **-** | **-** | **-** | **-** |
| At 31 December 2020 | - | - | 4 | 4 |

Capital expenditure provided or committed at the end of the year was £0k (2020: £3k).

## 16. Leases

### Right of use assets

| | Leasehold £000 | Motor Vehicles £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| 1 January 2020 | 399 | 739 | 1,138 |
| Additions | 315 | 140 | 455 |
| Disposals | (216) | (405) | (621) |
| **At 31 December 2020** | **498** | **474** | **972** |
| Additions | 268 | - | 268 |
| Disposals | (74) | (183) | (257) |
| **At 31 December 2021** | **692** | **291** | **983** |
| | | | |
| **Accumulated depreciation** | | | |
| 1 January 2020 | 141 | 323 | 464 |
| Charge for the year | 173 | 259 | 432 |
| Disposals | (134) | (314) | (448) |
| **At 31 December 2020** | **180** | **268** | **448** |
| Charge for the year | **288** | **128** | **416** |
| Disposals | (74) | (183) | (257) |
| **At 31 December 2021** | **394** | **213** | **607** |
| | | | |
| **Net book value** | | | |
| **At 31 December 2021** | **298** | **78** | **376** |
| At 31 December 2020 | 318 | 206 | 524 |

### Lease liability

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Terms and debt repayment schedule:

| | **2021** | 2020 |
|---|---|---|
| | **£000** | £000 |
| Within one year | **307** | 263 |
| Between one and five years | **48** | 223 |
| | **355** | 486 |

**16. Leases (continued)**

Minimum lease payments fall due as follows:

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Within one year | 322 | 285 |
| Between one and five years | 49 | 232 |
| Total minimum lease payments | 371 | 517 |
| Future finance charges | (16) | (31) |
| Present value of lease liabilities | 355 | 486 |

**Amounts recognised in the Statement of Comprehensive Income:**

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Depreciation charge on right of use assets | 416 | 432 |
| Interest expense on right to use assets | 45 | 36 |

The Company paid £266,746 (2020: £112,000) in relation to lease liability.

Tilbury Douglas Construction Limited, a sister entity to Tilbury Douglas Engineering Limited made lease payments of £136,147 (2020: £346,000) during the year on behalf of the Company. The Company has recorded this amount within accruals (Note 19).

## 17. Trade and other receivables

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| **Non-current assets** | | |
| **Financial assets** | | |
| Retentions | **408** | 386 |
| Amounts owed by group undertakings | **349** | 254 |
| **Total non-current assets** | **757** | 640 |
| | | |
| **Amounts falling due within one year** | | |
| Construction contract debtors | **1,306** | 1,411 |
| Contract assets (note 4) | **884** | 750 |
| Retentions | **433** | 430 |
| Amounts owed by group undertakings | **8,576** | 5,517 |
| Other debtors | **1,289** | 1,528 |
| **Total financial assets other than cash and cash equivalents classified as amortised cost** | **12,488** | 8,886 |
| Prepayments | **339** | 44 |
| | **12,827** | 9,680 |

£8.9m (2020: £5.8m) of amounts owed by group undertakings do not attract interest, are unsecured and repayable on demand.

£1.1m (2020: £1.5m) of amounts included within other debtors relate to R&D tax credits.

A review of the trade and other receivables balances was done to evaluate whether there is an indication of expected future credit exposures. The historical rates of credit losses were looked at in the context of the current and future factors affecting customers' credit worthiness. The current assessment is that the expected credit losses on trade and other debtors is immaterial, but the Company continue to monitor its exposure and further disclosures will be provided in future periods if the assessed expected credit losses are considered significant.

## 18. Cash at bank and in hand

| | 2021<br>£000 | 2020<br>£000 |
|---|---|---|
| Cash at bank and in hand | **9,483** | 6,196 |

## 19. Trade and other payables

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| **Non-current liabilities** | | |
| **Financial liabilities** | | |
| Trade creditors | 335 | 309 |
| | 335 | 309 |
| **Current liabilities** | | |
| Trade creditors | 2,989 | 8,893 |
| Amounts owed to group undertakings | 2,219 | 157 |
| Accruals | 11,756 | 5,207 |
| Other creditors | 28 | 21 |
| **Total financial liabilities, excluding borrowings, classified as financial liabilities measured at amortised cost** | 16,992 | 9,071 |
| Taxation and social security | 429 | 1,345 |
| Contract liabilities (note 4) | 1,022 | 57 |
| | 18,443 | 15,680 |

£2.2m (2020: £0.2m) of amounts owed to group undertakings does not attract interest, are unsecured and repayable on demand.

## 20. Deferred tax

| | 2021 |
|---|---|
| | £000 |
| At beginning of year | 72 |
| Charged to Statement of Comprehensive Income | 106 |
| At end of year | 178 |

The deferred tax asset is made up as follows:

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Accelerated capital allowances | 70 | 64 |
| Other short term timing differences | 108 | 8 |
| | 178 | 72 |

Deferred tax bifurcation:

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Non-current | 178 | 72 |

The deferred tax asset represents unclaimed capital allowances. The Directors expect that these capital allowances will be utilised in future periods.

## 21. Other provisions

| 2021 | 1 January 2021 | Provided during year | Utilised during year | Released during year | 31 December 2021 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Onerous contract provisions | 295 | 170 | (133) | (2) | **330** |
| Contract rectification provisions | 584 | 1,592 | (16) | (217) | **1,943** |
| Dilapidation provisions | 94 | 40 | (21) | (23) | **90** |
| Other provisions | 55 | 90 | - | (5) | **140** |
| | 1,028 | 1,892 | (170) | (247) | **2,503** |

| 2020 | 1 January 2020 | Provided during year | Utilised during year | Released during year | 31 December 2020 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Onerous contract provisions | 783 | 165 | (653) | - | 295 |
| Contract rectification provisions | 5 | 579 | - | - | 584 |
| Dilapidation provisions | 42 | 60 | (8) | - | 94 |
| Other provisions | 5 | 50 | - | - | 55 |
| | 835 | 854 | (661) | - | 1,028 |

The impact of discounting is not material.

Onerous contract provisions are made where the forecast costs of completing a contract exceed the forecast income generated over the life of the project. These provisions are expected to unwind within 2-5 years.

Contract rectification provisions include cost of construction site clearance, remedial costs required to meet client's contractual terms and potential claims under contract warranties. These provisions are expected to unwind within 5-12 years.

Dilapidation provisions include amounts in relation to restoration of leased premises. These provisions will be released as the properties are exited and negotiations with landlords over early termination of leases and the amounts of dilapidation payable are completed. These provisions are expected to unwind within 2-7 years.

Other provisions include an allowance for old contract liabilities that were not migrated across into the new finance system. These provisions are expected to unwind within 2-5 years.

## 22. Financial instruments

### (a) Financial instruments by category

The Company's principal financial instruments are set out below and stated at their carrying values:

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | **£000** | £000 |
| **Financial assets at amortised cost:** | | | |
| Cash and cash equivalents | **18** | **9,483** | 6,196 |
| Trade and other receivables | **17** | **13,245** | 9,526 |
| | | **22,728** | 15,722 |
| **Financial liabilities at amortised cost:** | | | |
| Trade and other payables | **19** | **17,327** | 9,380 |
| Lease liability | **16** | **355** | 486 |
| | | **17,682** | 9,866 |

There were no significant differences between the carrying amounts and fair values of any of the financial assets or financial liabilities in the Statement of Financial Position as at 31 December 2021 and 2020.

**Liquidity risk**

Liquidity risk is the risk that the Company may not be able to meet its financial obligations as they fall due. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and a revolving credit facility. The business submits weekly, quarterly, annual and longer term cashflow forecasts to enable the Board to closely monitor these requirements.

**22. Financial instruments (continued)**

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

| **2021** Financial liabilities | Carrying amount | Contractual cash flows | Less than 12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Lease liability | 355 | 355 | 307 | 48 | - | - |
| Trade and other payables | 17,327 | 17,327 | 16,992 | 335 | - | - |
| Total | 17,682 | 17,682 | 17,299 | 383 | - | - |

| **2020** Financial liabilities | Carrying amount | Contractual cash flows | Less than 12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Lease liability | 486 | 486 | 263 | 223 | - | - |
| Trade and other payables | 9,380 | 9,380 | 9,071 | 309 | - | - |
| Total | 9,866 | 9,866 | 9,334 | 532 | - | - |

**Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and monies on deposit with financial institutions.

The Company only trades with recognised, creditworthy third parties. Receivables balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Note | 2021 | 2020 |
|---|---|---|---|
| | | £000 | £000 |
| **Financial assets at amortised cost:** | | | |
| Cash and cash equivalents | 18 | 9,483 | 6,196 |
| Trade and other receivables | 17 | 13,245 | 9,526 |
| | | 22,728 | 15,722 |

## 22. Financial instruments (continued)

### Capital management

The Company's objectives when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The Company defines capital as net funds (total assets less total liabilities) and equity attributable to shareholders.

There are no external imposed restrictions on the Company's capital structure.

## 23. Called up share capital

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| **Allotted, called up and fully paid** | | |
| 5,000,000 (2020: 5,000,000) Ordinary shares of £1 (2020: £1) each | **5,000** | 5,000 |

## 24. Reserves

### Share premium account

The share premium account includes any premiums received on issue of share capital.

### Profit and loss account

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

## 25. Cash generated from operations

| | 2021 | 2020 |
|---|---|---|
| | £000 | £000 |
| Profit before taxation | **2,944** | 1,267 |
| Depreciation charge | **420** | 432 |
| Finance cost | **45** | 300 |
| | **3,409** | 1,999 |
| (Increase)/decrease in trade and other receivables | **(3,856)** | 1,400 |
| Increase in other provisions | **1,475** | 192 |
| Increase in trade and other creditors | **2,657** | 959 |
| | **3,685** | 4,550 |

## 26. Changes in liabilities from financing activities

| | Leases |
|---|---|
| | **£000** |
| **As at 1 January 2020** | **619** |
| Lease payments | (459) |
| New leases | 451 |
| Disposal | (161) |
| Interest paid | 36 |
| **At 31 December 2020** | **486** |
| Lease payments | (403) |
| New leases | 227 |
| Disposal | - |
| Interest paid | 45 |
| **At 31 December 2021** | **355** |

Tilbury Douglas Construction Limited, a sister entity to Tilbury Douglas Engineering Limited made lease payments of £136,257 (2020: £346,000) during the year on behalf of the Company.

## 27. Contingent liabilities

At 31 December 2021 the Company had given guarantees covering bank loans in respect of the parent and fellow Interserve Group undertakings. At 31 December 2021 these amounted to £105.8 million (2020: £272.4 million). Post year end as part of the separation from Interserve PLC, the company was released from these banking guarantees (see note 30).

At 31 December 2021, the company had provided security over performance bonds within the group, in place in the normal course of business, amounting to £32.5 million (2020: £37.1 million). These bonding facilities continued following the separation from Interserve PLC.

The company has provided a cross guarantee in respect of bank borrowing provided to members of the Interserve PLC Group, at the year end the company had a bank balance of £9.5 million (2020: £6.2 million) which were subject to this guarantee. As part of the separation post year end (note 30) this guarantee ended.

## 28. Auditor's liability limitation agreement

By a resolution dated 6 December 2022 the company entered into a liability limitation agreement with its auditors, Cooper Parry Group Limited, in respect of the audit of the financial statements for the year ended 31 December 2021. The liability is limited to £15,000,000.

## 29. Related party transactions

Transactions with related parties of Interserve Group:

**2021**

| | 2021 Income earned in year | 2021 Expenditure earned in year | 2021 Debtor at year-end | 2021 Creditor at year-end |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Excluding support services** | | | | |
| Tilbury Douglas Construction Limited | 47,873 | (1,708) | 8,925 | (2,703)* |
| Interserve Group Limited | - | (610) | - | (510) |
| **Support services** | | | | |
| Interserve (Defence) LTD | - | - | - | - |
| Interserve (Facilities Management) Ltd | - | - | - | - |
| Interserve FS (UK) LTD | - | - | - | - |
| | 47,873 | (2,318) | 8,925 | (3,213) |

*Amounts due to Tilbury Douglas Construction Limited are included within amounts owed to group and accruals, both of which are presented in trade and other payables.

**2020**

| | 2020 Income earned in year | 2020 Expenditure earned in year | 2020 Debtor at year-end | 2020 Creditor at year-end |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Excluding support services** | | | | |
| Tilbury Douglas Construction Limited | 39,102 | (944) | 5,770 | - |
| Interserve Group Limited | - | (451) | - | (157) |
| **Support services** | | | | |
| Interserve (Defence) LTD | 25 | (18) | - | - |
| Interserve (Facilities Management) Ltd | 334 | (883) | 116 | - |
| Interserve FS (UK) LTD | 98 | (172) | - | (226) |
| | 39,559 | (2,468) | 5,886 | (383) |

## 29. Related party transactions (continued)

### Key management personnel

There were no other key management personnel of the Company other than directors. Please refer to note 9 directors' remuneration.

## 30. Post balance sheet events

On the 27th May 2022 the Company was acquired by Tilbury Douglas Holdings Limited, along with its sister company Tilbury Douglas Construction Limited, to collectively form the Tilbury Douglas Group (the Group).

Simultaneously the Tilbury Douglas Group was acquired from Interserve Group Holdings Limited (IGHL), a subsidiary of Interserve Group Limited, by TD Bidco Limited. TD Bidco Limited is ultimately owned by certain of the shareholders and lenders of Interserve Group Limited. The reorganisation of the Group and the separation from the Interserve Group involved stakeholder agreement across various areas:

- The transfer of existing bonding facilities into a new bonding facility.
- A revolving credit facility of £20.0m extending until June 2024, provided by some of the TD Bidco Limited shareholders.

The reorganisation of the Group and separation from the Interserve Group was agreed with a number of stakeholders, including lenders, bonders, and the trustee of the Interserve Pension Scheme, who were subsequently granted a shareholding in TD Bidco Limited. The guarantees associated with the Interserve Group debt have been waived.

## 31. Ultimate parent undertaking and controlling party

At the date of approving these financial statements Tilbury Douglas Holdings Limited, a company registered in England and Wales is the Company's immediate parent company.

TD Bidco Limited, a company registered in England and Wales, is the company regarded by the directors as the ultimate parent company.

During the whole of 2021, and until 27th May 2022, Interserve Group Holdings Limited was the immediate parent company and Interserve Group Limited was regarded by the directors as the ultimate parent company. On 27th May 2022, the Company was acquired by Tilbury Douglas Holdings Limited, which in turn was acquired by TD Bidco Limited. See note 30.