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Aquila Nuclear Engineering Limited

Annual Report and Financial Statements 2022

Company registration number: 07442871

DIRECTORS AND ADVISORS

Directors

David Barker
Drew William Corbett
Emmanuelle Severine Daniele Chardon (appointed 23rd December 2021)
Frederic Menissier (appointed 23rd December 2021)
Joseph Spencer Robinson (appointed 23rd December 2021)

Registered office

Unit 17, Hazeley Enterprise Park
Hazeley Road
Twyford
Winchester
SO21 1QA

Bankers and financial providers

HSBC UK Bank Plc
Level 9
Royal Liver Building
Liverpool
L3 1HU

Solicitors

Squire Patton Boggs (UK) LLP
Premier Place
Devonshire Square
London
EC2M 4UJ

Independent auditor

UNW LLP
Chartered Accountants
Citygate
St James' Boulevard
Newcastle upon Tyne
NE1 4JE

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 31 May 2022. The Company's registered number is 07442871.

Principal activities

The Company's principal activity is engineering and consultancy for the nuclear markets.

Review of the year and future developments

Aquila Nuclear Engineering Limited ("Aquila") is a private company limited by shares. The Company is now a well-established brand in the nuclear industry with a good track record of delivering innovative turnkey solutions to the following nuclear markets:

- Nuclear Decommissioning
- Nuclear Science
- Nuclear Defence
- New Nuclear Build
- Nuclear Medicines

Aquila was acquired by Cyclife SAS ("Cyclife"), a subsidiary of Électricité De France S.A. on the 23rd December 2021. On acquisition, Cyclife provided a capital contribution to Aquila allowing for all intercompany loans to be repaid to the previous owner, Calder Group Holdings Ltd, thereby reducing liabilities and creating positive net assets.

At £927k (2021: £915k) the Company's EBITDA for the year was consistent with the previous year, although slightly behind expectations. The business had to incur some unplanned integration costs resulting from the sale such as rebranding and resource costs. In addition, Aquila also incurred increased costs on projects through a rise in material and subcontract prices as a result of Brexit, the war in Ukraine and the general cost of inflation across the UK. COVID-19 also played a part in additional costs due to travel restrictions and isolation rules at client sites. The business has continued to grow in size despite these price increases.

The Company continues to experience challenges surrounding recruitment of appropriately skilled resources which is common across many sectors within the UK, however we have created a dedicated Human Resources department to ensure that recruitment and retention is treated as a top priority within our business. Our success stems from our envied reputation in the nuclear industry in delivering world class solutions to our clients.

The Directors concluded that the impressive quality and mix of opportunities covering all market sectors were a result of a highly focused market research.

Going forward the business has good visibility of a wide variety of exciting opportunities with contracts extending over many years. Aquila is now part of Cyclife SAS and as such we also have exposure to numerous nuclear decommissioning and waste projects, worldwide within the EDF group.

These UK nuclear projects will provide Aquila with long term revenue streams in high profile national projects.

Nuclear decommissioning

We continue to support Magnox directly and via a Tier 2 company on a range of complex decommissioning challenges with further opportunities expected over the coming months and years via existing routes to market and also in collaboration with our fellow Cyclife SAS subsidiaries.

At Sellafield we are looking to leverage the value of our new ownership. The RAP Framework is well underway (10 year 'single source' framework contract at Sellafield through the PPP Framework partners for the nuclearization of instruments) with excellent progress made on the first package of work. This framework is also being used as a mechanism to award work on this project that sits outside of the original framework scope and estimates value.

Aquila has also been delivering solutions to Jacobs through the decommissioning services and the professional services framework to Dounreay.

STRATEGIC REPORT (continued)

Review of the year and future developments (continued)

Nuclear science

We are working on tenders for several packages of work for the H3AT facility, to be constructed on site at Culham Centre for Fusion Energy and await the procurement process for the materials handling facility for STFC, at Harwell.

Calendar year 2022 should also see the release of a tender for a new shielded facility to be situated at Harwell with an estimated value of £10m.

In the International arena, we continue to receive tenders for new opportunities and win work for the European Spallation Source (ESS) in Sweden and to execute in-flight projects for the remote cutting of large, irradiated targets and shielded door systems.

At ITER in France we are evaluating routes to market (post Brexit) for the design and build of bespoke containment systems through a European partner.

Nuclear defence

Aquila being QC1 approved has established a strong presence within nuclear defence programmes. We are engaged in the design phases of several significant 'new facility' projects.

Nuclear new build

Our first new build project, a turnkey contract for the design and build of specialist gas and liquid analysis housed in containment systems is well underway. The client is now looking to increase the scope of this contract, adding further turnkey plant. This is something that we are hoping to replicate on future UK Nuclear new build sites.

Nuclear medicines

The Nuclear medicines industry is extremely vibrant globally. We have recently been successful in winning and delivering a large design and build Hot Cell contract for a radiopharmaceutical manufacturer in Belgium and concept designs for radiopharmaceutical production cells in the USA and Holland. The global demand for this technology is vast and Aquila intend to capitalise on these opportunities.

Financial key performance indicators (KPIs)

The Board uses various financial KPIs to monitor and benchmark the effectiveness of the Company's performance and position. The main KPI being value of orders on hand at 31 May 2022, being £9.4m (2021: £12.5m), and EBITDA / Sales. EBITDA is calculated by taking the net profit for the year and adding back net finance costs, non-recurring administrative costs and depreciation and amortisation. For the year ended 31 May 2022 this ratio was 7.65 % (2021: 9.23%).

Principal risks, financial risks and uncertainties

COVID-19

A full COVID-19 risk assessment of the workplace was carried out and is reviewed regularly. Aquila have instilled a COVID-19 policy and issued safe working guidelines to all staff along with ensuring all government advice is adhered to with regards to safe distance working, virtual meetings, screens, hand sanitizing and PPE. We are fully compliant with all relevant Government guidelines to ensure the safety of our workforce which remains, as always, our primary concern.

STRATEGIC REPORT (continued)

Principal risks, financial risks and uncertainties (continued)

Set out below are what the Board consider to be the other main risks affecting the Company together with their mitigation.

Risk	***Mitigation***
Economic risk The Company could be susceptible to adverse changes in economic conditions and employment levels, impacting profitability and cash flows.	The Company constantly reviews its routes to market, changes in customer demands and expectations as well as cost base so that it can react appropriately to the impact of the wider economy. Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure.
Competitive risk The Company operates in a competitive marketplace. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	The Company aims to minimise this by continuing to focus on its own strengths such as customer value, service delivery and innovation.
Credit risk The Company is exposed to credit–related losses in the event of default by counterparties.	Credit risk is mitigated by the Company's policy of only selecting counterparties with a strong long-term credit rating and assigning financial limits to individual counterparties. The Company has no significant concentration of credit risk, with exposure spread over a significant number of customers, across several nuclear markets.
Price risk The Company is exposed to price risk from its suppliers, due to the time difference between bidding for a tender and being successful in winning contracts for work.	The Company builds in contingency to tenders when bidding for new work. This allows for fluctuations in pricing should the time taken between the submission of the tender and the subsequent win of the work and placement of orders exceed usual agreed fixed price terms.
Interest rate risk The Company finances its operations through a mixture of retained profits and borrowing facilities, including Parent Company borrowings and finance leases.	Interest rate risk on finance leases is managed by fixing interest costs at the contract start date. All leases are on a fixed repayment basis. Parent Company borrowings are seen as long-term borrowings by both parties and as such the board considers the interest rate risk to be low.
Liquidity risk The Company may not have enough funds to finance its operations and future plans.	The Company manages its working capital requirements through regular forecasting and seeking to ensure that contract milestones do not act as a drag on available cash resources. In the event additional funds are required, the EDF Group maintains significant financial resources which are available to the Company to ensure sufficient funds are available for operations and planned expansions.
Technology risk The Company uses digital technology in all areas of its operations. There are many risks to consider including hardware and software security, confidential data breaches, business interruption and damage to brand reputation.	The Company relies on various software throughout the business in its day-to-day operations. The Company is Cyber Security Plus Certified, performs regular audits on security of hardware and information stored and undertakes a variety of security measures including changing passwords and limiting access to certain information on an authorised personnel basis only.
Health and safety risks The Company operates within an office and industrial environment and is therefore exposed to various risks from working with Visual Display Equipment to working in areas where heavy machinery may be operating.	Health and safety is the Company's number one operational priority. The Company is focussed on protecting people's wellbeing and has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards.

STRATEGIC REPORT (continued)

On behalf of the Board

DocuSigned by:
Dave Barker
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David Barker
Director

29 September 2022

DIRECTORS' REPORT

The Directors' present their annual report on the affairs of the Company together with the audited financial statements for the year ended 31 May 2022.

Principal activities and future developments

The principal activities and business overview of the Company are set out within the Strategic Report on pages 4 to 7.

The direction of the business continues to focus on expanding our share in the following 5 nuclear sectors.

- Nuclear Decommissioning
- Nuclear Science
- Nuclear Defence
- New Nuclear Build
- Nuclear Medicines

Business within the domestic market has been strong with the growth of a number of high, added value, long term contracts in the decommissioning, defence and new build sectors. Aquila continues to develop overseas relationships with site licenced clients in Sweden, Belgium, Holland, France and USA. With an ever-growing reputation in the nuclear industry for providing pragmatic fit for purpose solutions, Aquila continues to extend its client base.

This predicted growth in business has allowed the directors to implement a management structure capable of supporting further growth of our business, in line with market demands.

Management of contracts continues to meet and exceed client's expectations with Aquila routinely matching and overperforming on predicted contract margins. The management team are fully aligned and meet regularly to share experiences with the objective of minimising risk and capitalising on opportunities for the business.

Results and dividends

The results of the Company for the financial year are set out in the Income Statement on page 12.

The Directors do not recommend the payment of a final dividend (2021: £nil).

Directors

The Directors who served during the year, and up to the date of signing of the financial statements, were as follows:

- David Barker
- Elizabeth Jane Wheeler (Resigned 23rd December 2021)
- Drew William Corbett
- Iain Clarkson (Resigned 23rd December 2021)
- John Edward Adams (Resigned 23rd December 2021)
- Emmanuelle Severine Daniele Chardon (Appointed 23rd December 2021)
- Frederic Menissier (Appointed 23rd December 2021)
- Joseph Spencer Robinson (Appointed 23rd December 2021)

None of the Directors have any material interests in contracts of the Company.

Upon the sale of Aquila Nuclear Engineering Limited from Calder Group Holdings Limited to Cyclife SAS, it was agreed that both Elizabeth Jane Wheeler, Finance Director, and John Edward Adams, Engineering & Projects Director, would resign from their posts of statutory director in line with corporate governance requirements flowed down from EDF. Both individuals still reside within the business carrying out the same duties and now form part of the Executive Leadership Team.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

DIRECTORS' REPORT (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and team briefings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Political donations

The Company did not make any political donations (2021: £nil) or incur any political expenditure during the year (2021: £nil).

Going concern

As highlighted in note 13 to the financial statements, the Company meets its day-to-day working capital requirements through cash generated by its operations and with the support of its new parent Cyclife SAS, a wholly owned subsidiary of Électricité De France S.A. The Company has contracts with several key customers and suppliers across different market sectors and the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate and grow in line with the expectations of the new owner.

Based on this assessment and the integration of the Company into the Cyclife Group the directors have a strong expectation that the Company has adequate resources to further grow the Company and to continue in operational existence for the foreseeable future.

Further details regarding the adoption of the going concern basis can be found in the Statement of Significant Accounting Policies in the financial statements.

Matters covered in the strategic report

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 4 to 7.

Financial risk management

The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the note 13 to the financial statements and include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

Disclosure of information to auditor

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

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

DIRECTORS' REPORT (continued)

Independent auditor

UNW LLP was appointed as the Company's auditor during the year. Pursuant to section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will therefore continue in office.

On behalf of the Board

DocuSigned by:
Dave Barker
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David Barker
Director

29 September 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the strategic report, directors' 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 UK-adopted International Accounting Standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DocuSigned by:
Dave Barker
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David Barker
Director

29 September 2022

INCOME STATEMENT

Year ended 31 May 2022

	Note	2022 £000s	2021 £000s
Revenue	1	12,122	9,915
Cost of sales		(9,428)	(7,725)
Gross profit		**2,694**	**2,190**
Sales and distribution expenses		(562)	(443)
Administration expenses		(1,606)	(1,147)
Operating profit	2	**526**	**600**
Financial Expenses	3	(47)	(47)
Net finance costs		**(47)**	**(47)**
Profit before taxation		**479**	**553**
Tax	5	**(54)**	**(155)**
Profit attributable to equity holders of the Company		**425**	**398**

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 May 2022

	2022 £000s	2021 £000s
Profit/(Loss) for the year	**425**	**398**
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss:		
IFRS16 Leases	-	6
Other comprehensive income/(expense) for the year	**-**	**6**
Total comprehensive income/(expense) for the year	**425**	**404**

All profits/(losses) relate to continuing operations.

The statement of significant accounting policies and notes on pages 16 to 30 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 May 2022

	Note	2022 £000s	Restated 2021 £000s
Assets			
Property, plant and equipment	6	1,415	1,620
Deferred income tax assets	11	305	323
Total non-current assets		**1,720**	**1,943**
Current Assets			
Trade and other receivables	7	4,314	1,940
Cash and cash equivalents	8	211	918
Current income tax asset		278	251
Total current assets		**4,803**	**3,109**
Total assets		**6,523**	**5,052**
Non-current liabilities			
Borrowings	9	(834)	(1,034)
Total non-current liabilities		**(834)**	**(1,034)**
Current Liabilities			
Trade and other payables	10	(3,453)	(6,114)
Borrowings	9	(209)	(218)
Total Current liabilities		**(3,662)**	**(6,332)**
Total liabilities		**(4,496)**	**(7,366)**
Net assets/(liabilities)		**2,027**	**(2,314)**
Equity			
Share capital	12	1	1
Capital reserve	12	3,916	-
Accumulated losses	12	(1,890)	(2,315)
Total Equity attributable to the Company's shareholders		**2,027**	**(2,314)**

The statement of significant accounting policies and notes on pages 16 to 30 are an integral part of these financial statements.

Details of 2021 restatements can be found in notes 7 and 10.

The financial statements on pages 12 to 30 were approved by the Board of Directors and signed on its behalf by:

DocuSigned by:
Drew Corbett
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Drew William Corbett
Director

29 September 2022
Company registration number: 07442871

STATEMENT OF CHANGES IN EQUITY

Year ended 31 May 2022

	Share Capital	Capital Reserve	Accumulated Losses	**Total**
	£000s	£000s	£000s	£000s
Balance at 31 May 2020	**1**	**-**	**(2,719)**	**(2,718)**
Profit for the year	-	-	398	**398**
IFRS16 Leases	-	-	6	**6**
Total comprehensive income for the year	**-**	**-**	**404**	**404**
Balance at 31 May 2021	**1**	**-**	**(2,315)**	**(2,314)**
Profit for the year	-	-	425	425
Total comprehensive income for the year	**1**	**-**	**425**	**425**
Capital contribution	-	3,916	-	**3,916**
Balance at 31 May 2022	**1**	**3,916**	**(1,890)**	**2,027**

The statement of significant accounting policies and notes on pages 16 to 30 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 May 2022

	Note	2022 £000s	Restated 2021 £000s
Cash flows from operating activities			
Profit before taxation		479	553
Adjustments for:			
Depreciation	6	401	315
R&D Expenditure Credit		(184)	(310)
Loss on disposal of property, plant and equipment		-	1
Net finance costs	3	47	47
Cash flows from operations		**743**	**606**
Increase in trade and other receivables		(2,374)	(139)
Increase in trade and other payables		459	209
Income taxes received (including R&D Expenditure Credit)		121	97
Net cash (used in)/generated from operating activities		**(1,051)**	**773**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(196)	(267)
Proceeds on disposal of property, plant & equipment		-	-
Net cash used in investing activities		**(196)**	**(267)**
Cash flows from financing activities			
Capital contribution		3,916	-
Repayment of intercompany debt		(3,916)	-
Proceeds from borrowings		796	64
Repayment of principal (leases)	9	(209)	(186)
Repayment of Interest (leases)	9	(44)	(47)
Repayment of interest (insurance agreement)		(3)	-
Net cash generated from/(used in) financing activities		**540**	**(169)**
Net (decrease)/increase in cash and cash equivalents		**(707)**	**337**
Cash and cash equivalents at the beginning of the year		918	581
Cash and cash equivalents at the end of the year	8	**211**	**918**

Liabilities from financing activities

	Cash £000s	Borrowings £000s	Leases £000s	Total £000s
Net debt as at 31st May 2020	581	(3,556)	(1,264)	(4,239)
Financing cashflows	337	-	233	570
New leases	-	-	(174)	(174)
Proceeds from borrowings	-	(64)	-	(64)
Interest expense	-	-	(47)	(47)
Net debt as at 31st May 2021	918	(3,620)	(1,252)	(3,954)
Financing cashflows	(707)	-	253	(454)
Repayment of borrowings	-	3,916		3,916
Proceeds from borrowings	-	(796)	-	(796)
Interest expense	-	-	(44)	(44)
Net debt as at 31st May 2022	211	(500)	(1,043)	(1,332)

The statement of significant accounting policies and notes on pages 16 to 30 are an integral part of these financial statements.

Details of 2021 restatements can be found in notes 7 and 10. In addition, proceeds from borrowings in the prior year, of £64k, which were previously included as part of operating cash flows (increase in trade and other payables) have been shown separately, within cash flows from financing activities.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Background

Aquila Nuclear Engineering Limited is a private company limited by shares, incorporated and domiciled in England, United Kingdom.

Its registered office is Unit 17, Hazeley Enterprise Park, Hazeley Road, Twyford, Winchester, SO21 1QA with a registered number of 07442871.

The Company designs and project manages engineering solutions within the nuclear industry.

Basis of preparation

The financial statements of Aquila Nuclear Engineering Limited have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The Company transitioned to UK-adopted International Accounting Standards in the current accounting period, following the UK's exit from the European Union. Whilst this constitutes a change in accounting framework, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

The preparation of financial statements in accordance with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The financial statements are prepared on the going concern basis, under the historical cost convention and are presented in GBP, which is the Company's functional and presentational currency. The principal accounting policies set out below have been applied consistently to all periods presented in this report.

Going concern

As highlighted in note 13 to the financial statements, the Company meets its day-to-day working capital requirements through cash generated by its operations and with the support of its new parent Cyclife SAS. a wholly owned subsidiary of Électricité De France S.A. The Company has contracts with several key customers and suppliers across different market sectors and the Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company will be able to operate and grow in line with the expectations of the new owner. In addition, the group of which the Company is now part, has significant financial resources and has provided assurances that in the event required they will provide the financial support necessary to enable the Company to continue meeting its debts as they fall due in the normal course of business for at least the next twelve months following approval of these financial statements.

Based on this assessment and the integration of the Company into the Cyclife Group the directors have a strong expectation that the Company has adequate resources to further grow the Company and to continue in operational existence for the foreseeable future.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the end of the period of the transaction is included as an exchange gain or loss in the income statement.

Employee benefits

For defined contribution plans, contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and provision for impairment in value. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life "UEL" as follows:

- Land and buildings — 20.00% on cost – UEL 5 years
- Leasehold improvements — 20.00% on cost – UEL 5 years
- Office equipment / fixtures and fittings — 20.00% to 33.00% on cost – UEL 3-5 Years
- Plant and machinery — 20.00% on cost – UEL 5 Years
- Motor vehicles — 33.33% on cost – UEL 3 years

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of financial position comprise cash at bank and in hand.

Trade and other receivables

The Company applies the IFRS9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. The trade receivables are grouped based on days past due.

The Company examines the historical profile of credit, the market and customers are closely monitored, along with macroeconomic factors that could impact the credit risk. The process is continuous throughout the year as part of senior management team reviews, and the Company has determined based on the historical periods that the expected credit losses should be assessed at 0%, as there is no underlying risk identified during the year or at 31 May 2022. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

In the event there are circumstances that impact the receivable balances, and the likely recoverability of that receivable will then be impaired based on the expected credit loss specific to that receivable. The factors assessed with counterparties are significant financial difficulties, probability they will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable may be impaired.

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach on financial covenants by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company)

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administrative expenses' should they arise. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the Income Statement.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Company applies IFRS15 in order to recognise revenue within the financial statements which ensures a contract is not recognised within the order book until a contract or purchase order, signed by both parties is received into the Company.

Individual performance obligations are identified within the contract including milestones and therefore stage payments, which are dependent on percentage complete of the project. This determines when invoices can be issued to the customer. The final transaction price is agreed within the signed contract, in some cases variations to contract are agreed following the commencement of the original contract, at all stages each performance obligation has a price attached.

It is the Company's policy to recognise revenue as the performance obligations are fulfilled. This is achieved by using the percentage of work complete method in line with performance obligations and milestones met to determine the appropriate revenue to include at each stage of the contract. Revenue invoices are issued to customers when milestones are met, the revenue is recognised on a percentage completion basis.

Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the year-end date.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the year-end date and that are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are non-interest bearing.

Leases

Leases are classified within the company according to IFRS 16, as finance, right of use, short term or low value leases.

- The lease obligation for finance leases and right of use leases is measured at the present value over the lease term, applying the effective borrowing rate of the Company. The lease term is determined by the non-cancellable period in the lease taking into account any extension or termination options. The value of the lease obligation then reduces over the life of the lease by the cash repayments, less the interest charged to the obligation and finance costs in the income statement. Lease obligations are disclosed in the borrowings note 9.

  The company recognises the right of control of the assets financed by lease and consequently capitalises them according to the relevant asset classification in property, plant and equipment (see note 6). The assets are also valued at the net present value of the future cashflows, including any initial payment or deposit on commencement of the lease.

- Leases held for a short-term contract, twelve months or less, or are low in value, less than €3.5k ($5k according to IFRS16) are charged to the Income Statement on a straight-line basis over the lease term according to the cash payments made. The impact on the Income Statement is disclosed in the borrowings note 9. If there are any leases held by the Company in this way a lease commitment disclosure would be provided, however there were no short-term contract or low value leases held by the Company for the periods disclosed in these financial statements.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. No significant sources of estimation uncertainty were required in the process of applying the Company's accounting policies for these financial statements.

Significant judgments in applying the Company's accounting policies

- **Income taxes**

Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Revenue recognition**

Revenue represents the fair value of consideration received or receivable for the sale of goods and services supplied in the ordinary course of the Company's activities, and is stated exclusive of VAT and similar taxes, but inclusive of discounts and rebates. Revenue is recognised when goods are despatched or when services are provided. When the company undertakes projects over a period of time the revenue recognised is agreed to an assessment with the customer and invoiced as a stage valuation. Any excess or shortfall of revenue recognised as compared to amounts invoiced to customers is recognised as amounts recoverable on contracts or payments on account in the Statement of Financial Position, as part of trade and other receivables or payables, respectively.

Interpretations and amendments to published standards effective for the year ended 31 May 2022.

New and amended standards adopted by the Company:

- Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions
- Amendments to IFRS 7, IFRS 4, and IFRS 16 – Interest rate benchmark reform – Phase 2
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9

The adoption of these accounting standards did not have a material impact on the Company's financial statements.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 May 2022 reporting periods and have not been early adopted by the Company. None of these are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

- A number of narrow scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 – effective date for annual periods beginning on or after 1 January 2022
- IFRS 17, 'Insurance contracts', as amended in December 2021 – effective date for annual periods beginning on or after 1 January 2023
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction - effective date for annual periods beginning on or after 1 January 2023
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 – effective date for annual periods beginning on or after 1 January 2023
- Amendments to IAS 1, Presentation of financial statements', on classification of liabilities – effective date for annual periods beginning on or after 1 January 2024

NOTES TO THE FINANCIAL STATEMENTS

(1) Revenue

	2022			2021		
	The United Kingdom	EU countries	Total	The United Kingdom	EU countries	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Goods & Services	11,033	1,089	12,122	7,452	2,463	9,915
Revenue by destination	**11,033**	**1,089**	**12,122**	**7,452**	**2,463**	**9,915**

All revenue arises on one class of business derived only from contracts with customers from provision of goods and services over time, 91.02% within the United Kingdom (2021: 75.16%), 8.98% within the EU (2021: 24.84%).

No revenue is recognised in the current period which related to performance obligations that were satisfied in the prior year. Revenue of £346k is recognised in the current period which was included within contract liabilities in the prior year closing amount.

(2) Operating profit

Is stated after charging/(crediting):

	2022 £000s	2021 £000s
Depreciation – owned	173	111
Depreciation – right of use	228	204
Research & development expenditure credit	(184)	(310)
Auditors' fees payable to the Company's auditor for the audit of these financial statements	20	14
Foreign exchange movements	3	(12)

Fees paid to the Company's auditor for non-audit services were £9k (2021: £nil) in relation to tax compliance and consultancy fees regarding IR35 – off payroll working.

(3) Financial expenses

	2022 £000s	2021 £000s
Interest on lease payments	44	47
Interest on finance payments	3	-
	47	**47**

(4) Directors and employees

Employee costs	2022 £000s	Restated 2021 £000s
Wages and salaries	3,826	2,419
Non-recurring remuneration	574	-
Social security costs	482	261
Other pension costs	176	104
Staff costs	**5,058**	**2,784**

Prior year wages and salaries and total staff costs have been restated to exclude £300k in respect of agency staff as these costs do not relate to the Company's employees. This restatement does not have any impact on the previously reported result or net assets of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(4) Directors and employees (continued)

Monthly Average number of people employed	2022 Number	2021 Number
Production	54	42
Sales and distribution	14	11
Administrative	11	6
Monthly average number employed by the Company	**79**	**59**

Directors' remuneration	2022 £000s	2021 £000s
Aggregate directors' emoluments	380	447
Aggregate directors' non-recurring remuneration	500	-
Aggregate pension contributions of the directors	19	22
	899	**469**
Emoluments of the highest paid director	100	158
Non-recurring remuneration of the highest paid director	148	-
Pension contributions of the highest paid director	5	8
	253	**166**

The number of directors receiving retirement benefits under the defined contribution pension scheme is 4 (2021: 4).

On the 23 December 2021, under the new owner Cyclife SAS, two of the Company's directors were required to resign from their position on the board as statutory directors and continue to lead the business as part of the Executive Leadership Team.

Non-recurring remuneration was paid to specific individuals whose input to the business had been key to its success up to the point of the Company's acquisition by Cyclife SAS on 23 December 2021. This remuneration was fully funded by Cyclife SAS and was dependant on the acquisition of Aquila Nuclear Engineering Limited from Calder Group Limited by Cyclife SAS and, as such, will not be repeated in future years.

(5) Tax

	2022 £000s	2021 £000s
Current tax charge		
- Current year UK	36	-
- In respect of prior periods	-	-
Current tax charge	**36**	**-**
Deferred tax (credit)/charge		
- Origination and reversal of timing differences	45	61
Adjustments in respect of prior periods	(41)	92
Effect of tax rate changes	14	2
Deferred tax charge	**18**	**155**
Total tax on ordinary activities before taxation	**54**	**155**

The tax assessed for the year is lower (2021: higher) than the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%).

In the March 2021 Budget, it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. This was substantively enacted on 24 May 2021, as such deferred tax balances as at 31 May 2021 have been measured at 25% as appropriate, according to when the deferred tax is expected to unwind.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(5) Tax (continued)

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	2022 £000s	2021 £000s
Profit on ordinary activities before taxation	479	553
Tax on loss on ordinary activities at standard UK corporation tax rate of 19.00% (2021: 19.00%)	91	103
Effects of:		
- Adjustment in respect of prior periods	(41)	92
- Expenses not deductible	1	32
- Unrecognised deferred tax	-	2
- Tax rate changes	14	2
- Benefit of super deduction	(11)	-
- Amounts not recognised	-	(59)
- Transfer pricing adjustments	-	(17)
Total tax charge	**54**	**155**

(6) Property, plant and equipment

	Leasehold improve ments	Land and buildings	Plant and machinery		Office equipment/ fixtures and fittings		Motor vehicles	Total
	Owned	Right of use	Owned	Right of use	Owned	Right of use	Right of use	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost								
At 1 June 2020	**48**	**1,773**	**223**	**21**	**420**	**52**	**21**	**2,558**
Additions	16	174	4	-	247	-	-	441
Disposals	-	-	-	-	(1)	-	-	(1)
Revaluation	-	8	-	-	-	-	-	8
At 31 May 2021	**64**	**1,955**	**227**	**21**	**666**	**52**	**21**	**3,006**
Additions	15	-	-	-	180	1	-	196
Disposals	-	-	-	-	(85)	-	-	(85)
At 31 May 2022	**79**	**1,955**	**227**	**21**	**761**	**53**	**21**	**3,117**
Accumulated depreciation and impairment								
At 1 June 2020	**(34)**	**(554)**	**(93)**	**(12)**	**(342)**	**(35)**	**(1)**	**(1,071)**
Charge	(7)	(187)	(29)	(3)	(75)	(10)	(4)	(315)
Disposals	-	-	-	-	-	-	-	-
At 31 May 2021	**(41)**	**(741)**	**(122)**	**(15)**	**(417)**	**(45)**	**(5)**	**(1,386)**
Charge	(9)	(213)	(29)	(4)	(135)	(7)	(4)	(401)
Disposals	-	-	-	-	85	-	-	85
At 31 May 2022	**(50)**	**(954)**	**(151)**	**(19)**	**(467)**	**(52)**	**(9)**	**(1,702)**
Carrying amount								
At 31 May 2020	14	1,219	130	9	78	17	20	1,487
At 31 May 2021	23	1,214	105	6	249	7	16	1,620
At 31 May 2022	**29**	**1,001**	**76**	**2**	**294**	**1**	**12**	**1,415**

NOTES TO THE FINANCIAL STATEMENTS (continued)

(7) Trade and other receivables

	2022	Restated 2021
	£000s	£000s
Trade receivables (see below)	867	805
Amounts due from related parties	551	-
Amounts recoverable on contracts	2,672	948
Prepayments and accrued income	212	185
Other receivables	12	2
	4,314	**1,940**

Prior year amounts included in trade and other receivables of £204k, previously disclosed as 'other taxation and social security' have been reclassified to be shown net of the related liability in trade and other payables. In addition, £183k of prepayments have been reclassified from other receivables. The directors consider that these reclassifications, which do not have any impact on the previously reported result or net assets of the Company, provide a more accurate presentation of the related balances.

Amounts due from related parties are unsecured, interest free and are repayable on demand.

Lifetime expected credit losses (ECL) is at 0% for trade receivables in accordance with the simplified approach set out in IFRS 9, therefore the value of the lifetime ECL is £nil (2021: £nil).

Trade receivables – further information	2022	2021
	£000s	£000s
Less than three months	1,418	805
	1,418	**805**

Trade receivables which are less than three months past due are not considered impaired. Trade receivables greater than three months past due are considered for recoverability and, where appropriate, a provision against bad debts is recognised. The Company's receivables from related parties are not considered past due or impaired.

Contracts with customers – amounts recoverable on contracts	2022	2021	2020
	£000s	£000s	£000s
Amounts recoverable in contracts – engineering contracts	2,672	948	499
Amounts due within one year	2,672	948	499

Aggregate amount of the transaction price allocated to engineering contracts that are partially or fully unsatisfied as at 31 May 2022 - £8,047k.

Management expects that 90.69% of the transaction price allocated to unsatisfied performance obligations as of 31 May 2022 will be recognised as revenue during the next reporting period (2023: £7,299k). The remaining 9.31% will be recognised in the following financial year (2024: £748k).

(8) Cash and cash equivalents

	2022	2021
	£000s	£000s
Denominated in Sterling (GBP) – HSBC	209	601
Denominated in Euro (EUR) – HSBC	2	317
	211	**918**

The fair value of cash and cash equivalents approximate to their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(9) Borrowings

a) By Maturity	Land and buildings	Plant and machinery	Office equip/ fixtures and fittings	Motor vehicles	Total
	£000s	£000s	£000s	£000s	£000s
At 1 June 2020	**1,221**	7	17	19	1,264
Additions	174	-	-	-	174
Repayments	(212)	(4)	(12)	(5)	(233)
Interest	45	-	1	1	47
At 31 May 2021	**1,228**	3	6	15	1,252
Additions	-	-	-	-	-
Repayments	(240)	(3)	(5)	(5)	(253)
Interest	44	-	-	-	44
At 31 May 2022	**1,032**	-	1	10	1,043

Maturity of borrowings Years	Land and buildings	Plant and machinery	Office equip/ fixtures and fittings	Motor vehicles	Total
	£000s	£000s	£000s	£000s	£000s
Between:					
0-1 year	199	3	10	5	217
1-2 years	202	3	7	5	217
2-5 years	620	1	-	9	630
5 years and over	200	-	-	-	200
At 31 May 2020	**1,221**	7	17	**19**	**1,264**
Between:					
0-1 year	208	2	3	5	218
1-2 years	208	1	3	5	217
2-5 years	625	-	-	5	630
5 years and over	187	-	-	-	187
At 31 May 2021	**1,228**	3	6	**15**	**1,252**
Between:					
0-1 year	204	-	1	4	209
1-2 years	212	-	-	4	216
2-5 years	616	-	-	2	618
5 years and over	-	-	-	-	-
At 31 May 2022	**1,032**	-	1	**10**	**1,043**

Maturity of borrowings Current and non-current					
Current	199	3	10	5	217
Non-current	1,022	4	7	14	1,047
At 31 May 2020	**1,221**	7	17	**19**	**1,264**
Current	208	2	3	5	218
Non-current	1,020	1	3	10	1,034
At 31 May 2021	**1,228**	3	6	**15**	**1,252**
Current	204	-	1	4	209
Non-current	828	-	-	6	834
At 31 May 2022	**1,032**	-	1	**10**	**1,043**

The borrowings are secured by a floating charge over the leased assets, whose carrying value is £1,016k (2021: £1,243k).

NOTES TO THE FINANCIAL STATEMENTS (continued)

(9) Borrowings (continued)

b) Amounts relating to leases recognised in the Income Statement.

	2022 £000s	2021 £000s
Depreciation charge on right of use assets:		
Land and buildings	213	187
Plant and machinery	4	3
Office equipment/fixtures and fittings	7	10
Motor vehicles	4	4
Total depreciation in respect of leased assets	**228**	**204**
Interest included in finance costs	44	47
Total amounts recognised in the Income Statement	**272**	**251**

c) The Company's leasing activities and accounting thereof

Assets and liabilities arising from a lease are initially measured on a present value basis looking back to the inception of the leases. The lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any lease incentives received or receivable.
- Variable lease payments that are based on an index or a rate.
- Amounts expected to be payable by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, the Group incremental borrowing rate issued by the Company's previous ultimate UK parent if prior to December 2021, or the UK incremental borrowing rate of 2% taken from the Bank of England.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability using the retrospective method from the date at the lease inception.
- Any lease payments made from the beginning of the lease at or before the commencement date less any lease incentive received.
- Any interest charged from the beginning of the lease to the commencement date.
- Any initial direct costs to enable the use of the asset.
- Restoration costs.

Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the income statement. Short term leases are leases of twelve months or less. Low value assets comprise IT equipment and small items of office equipment of less than €3.5k, interpreted from $5k in IFRS16.

d) Variable lease payments

Where lease agreements have a formula of calculation for revaluation of that lease within the lease term, the best estimate at the inception of the lease is calculated using known factors. During the life of the lease, as revaluations are confirmed this is treated as an event which will result in a change in the valuation of the lease liability (and the underlying asset). The depreciation and interest is recognised in the Income Statement using the applicable interest rate for borrowing at that point in time.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(9) Borrowings (continued)

e) Extension and termination options

It is assumed at the inception of all leases in the Company that they will be completed until the end, termination of leases is not anticipated. If a lease is terminated, then the relevant accounting transactions would be recognised in the Statement of financial position or the Income Statement to remove the asset from the accounts. In some instances, extensions are available on property, plant and equipment lease. However, in all instances, the leases will be valued to the end of the lease as dated in the lease contracts. In no instances will a lease be entered into anticipating that it will be terminated early, an extension may be anticipated. At the point in time when an extension occurs, the value of the lease will be reassessed with the new contractual payments.

f) Residual value guarantee

To optimise lease cost during the contract period, the Company sometimes provides residual value guarantees in relation to equipment leases, this is particularly common with motor vehicle leases. It is expected that the residual value is estimated at the inception of the lease, but should the residual value significantly change during the lease, then the liability and asset value would be adjusted, which would also impact the depreciation and interest recognised in the Income Statement.

(10) Trade and other payables

	2022 £000s	Restated 2021 £000s
Trade payables	1,083	846
Contract liabilities	66	346
Amounts owed to Group companies	500	3,620
Other taxation and social security liabilities	494	387
Accruals	1,310	915
	3,453	**6,114**

Prior year amounts included in trade and other receivables of £204k, previously disclosed as 'other taxation and social security' have been reclassified to be shown net of the related liability in trade and other payables above. In addition, £903k of trade payables relating to goods received not invoiced have been reclassified to accruals, and £570k have been reclassified from other payables to other taxation and social security liabilities as relating to VAT and other social security payments. The directors consider that these reclassifications, which do not have any impact on the previously reported result or net assets of the Company, provide a more accurate presentation of the related balances.

Contracts with customers - contract liabilities	2022 £000s	2021 £000's	2020 £000s
Contract liabilities – engineering contracts	66	346	936
Amounts due within one year	66	346	936

Amounts owed to Group companies are unsecured and are repayable on demand.

The fair value of trade and other payables approximate to their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(11) Deferred income tax assets

	Short term timing differences £000s	Total £000s
At 1 June 2020	**422**	**422**
Debit to income	(155)	(155)
Prior year credit to income	56	56
At 31 May 2021	**323**	**323**
Debit to income	(59)	(59)
Prior year credit to income	41	41
At 31 May 2022	**305**	**305**

Deferred taxation asset is made up as follows

	2022 £000s	2022 £000s
Fixed asset	60	49
Temporary differences trading	(8)	(5)
Losses	(252)	(243)
Research and development expenditure credit	(106)	(125)
IFRS 16 leases	1	1
	305	**232**

Deferred income tax assets include amounts in respect of prior year losses. The Company has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets.

(12) Share capital and reserves

a) Share capital

	2022 £000s	2021 £000s
Authorised		
950 (2021: 950) ordinary Shares of £1 each	0.950	0.950
50 (2021:50) A ordinary Shares of £1 each	0.050	0.050
Total	**1.000**	1.000
Allotted, called-up and fully paid		
950 (2021:950) ordinary Shares of £1 each	0.950	0.950
50 (2021:50) A ordinary Shares of £1 each	0.050	0.050
Total	**1.000**	1.000

The holders of ordinary shares and A ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

b) Reserves

Capital reserve
The capital reserve comprises a capital contribution of £3,916k to the Company from its parent undertaking during the year.

Accumulated losses
Accumulated losses represent cumulative profits and losses, net of cumulative dividends paid and other adjustments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(13) Financial risk management

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance. Current year income statement information has been included where relevant.

Risk	Exposure	Measurement	Management
Market risk - interest risk	Right of use lease obligations and other borrowings	Income statement charge	**Income statement:** The board manage the funding of the Company and borrowing rates
Market risk - credit risk	Cash and cash equivalents, trade receivables, lease commitments	Cashflow forecasting Credit control management	**Statement of financial position**: Credit limits, letters of credit
Liquidity risk	Borrowings and other liabilities Group performance	Rolling cash flows	**Income statement**: KPI tracking
Capital management	Negative equity	Net cash and amounts due to parent company	**Statement of financial position** Daily cash forecasting and monitoring

The Company's risks and exposures are identified by the management team in conjunction with the statutory board and the parent company. The method of risk management is agreed by all and the Company's local management team is responsible for executing the policies approved to limit transactional risks for the individual company's Statement of financial position and income statement.

(i) Interest risk

The Company does not incur material interest costs and therefore is not subject to interest rate risk.

(ii) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and credit exposures to trading customers, including outstanding receivables.

Credit risk is managed by the local management using policies approved by Board of Directors and is overseen by the Group finance team. If trading customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by trading customers is regularly monitored by senior management.

For trade receivables and contract assets, the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit loss (ECL). The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 7 includes further details on the loss allowance for these assets.

For some trade receivables the Company may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Trade and other receivable balances subject to credit risk are outlined in note 7.

(iii) Liquidity risk

The EDF Group actively maintains a mixture of long-term and short-term debt finance on behalf of the Company that is designed to ensure the Company has sufficient available funds for operations and planned expansions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(13) Financial risk management (continued)

(iv) Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern via regular monitoring of the capital position and considering ways to spread risk. The Company manages cash as capital through daily monitoring and forecasting. Objectives for managing cash are met internally through meeting targets, and externally by communication with group support, ensuring funds are available to allow the continuity of payables in order for projects to flow.

	2022 £000s	2021 £000s
Cash and cash equivalents	211	918
Amounts due to Parent company	(500)	(3,620)
Total Capital	**(289)**	**(2,702)**

(14) Guarantees and other financial commitments

(a) Lease commitments

The company does not have any lease commitments subsequent to the implementation of IFRS16 Leases for disclosure in the financial statements. All leases previously reported in lease commitments have been recognised in lease obligations within borrowings on the Statement of financial position and the underlying asset has been capitalised to the relevant asset class in property, plant and equipment.

(15) Financial instruments

IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures, also require numerical disclosures in respect of financial assets and liabilities and these are set out below and in notes 7, 8 and 10. Financial assets and liabilities are stated at either amortised cost or fair value. Where stated at amortised cost, this is not materially different to the fair value unless otherwise stated due to their short-term nature.

	2022 £000s	2021 £000S
Financial Assets		
Cash – HSBC	211	918
Trade receivables	1,418	805
Total financial assets	**1,629**	**1,723**
Financial liabilities		
Trade payables (2021 as restated – see note 10)	(1,083)	(846)
Total financial liabilities	**(1,083)**	**(846)**

There are no other financial assets or liabilities that are either past due or impaired.

(16) Pension costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge disclosed in note 4 represents contributions payable by the Company to the fund.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(17) Related parties and controlling interests

Cyclife Holding SAS incorporated in France holds a 100% interest in the Company and considered to be the immediate parent company.

Électricité de France SA ("EDF SA"), a company incorporated in France is regarded by the Directors as the Company's ultimate parent company and controlling party. This is the largest group for which consolidated financial statements are prepared. Copies of that company's consolidated financial statements may be obtained from the registered office at Électricité de France SA, 22-30 Avenue de Wagram, 75382, Paris, Cedex 08, France.

(a) Transactions with other Group companies:

	2022 £000s	2021 £000s
Purchases from other Group companies	-	(301)
Amounts due to Parent company	(500)	(3,620)
Amounts due from related parties	551	-

(b) Related party transactions for key management personnel

Marketing services were provided by a company called Glow Marketing Limited. One of the directors of that company is married to a director of Aquila Nuclear Engineering Limited. Transactions in 2022 amounted to £73k (2021: £56k). Year-end balance due to Glow Marketing Limited as at 31 May 2022 was £12k (2021: £5k).

(c) Key management comprises the Directors and the Executive Leadership Team of the Company. Compensation for Key management personnel is set out below.

Key management personnel remuneration	2022 £000s	2021 £000s
Aggregate emoluments/salary of the key management personnel	517	447
Aggregate non-recurring remuneration of the key management personnel	500	-
Aggregate pension contributions of the key management personnel	25	22
	1,042	**469**

Non-recurring remuneration was paid to specific individuals whose input to the business had been key to its success up to the point of the Company's acquisition by Cyclife SAS on 23 December 2021. This remuneration was fully funded by Cyclife SAS and was dependant on the acquisition of Aquila Nuclear Engineering Limited from Calder Group Limited by Cyclife SAS and, as such, will not be repeated in future years.

Independent auditor's report to the members of Aquila Nuclear Engineering Limited

Opinion

We have audited the financial statements of Aquila Nuclear Engineering Limited (the 'company') for the year ended 31 May 2022, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes, 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 accompanying financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2022 and of the company's profit for the year 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 Financial Reporting Council'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 auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of Aquila Nuclear Engineering Limited

Opinion 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 and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Independent auditor's report to the members of Aquila Nuclear Engineering Limited

We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by Auditing Standards) and from inspection of the company's legal correspondence and we discussed with the directors and other management the policies and procedures regarding compliance with the laws and regulations. We communicated identified laws and regulations within our audit team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we have assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines and litigation. We identified the following areas as those most likely to have such an effect; health and safety, employment law, data protection, environmental law and certain aspects of company legislation, recognising the nature of the company's activities. Auditing Standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we have not become aware of any actual or suspected non-compliance material to the financial statements.

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.

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 auditor's report.

Use of our report

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

David Redhead (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne

29 September 2022