

Registered number: 10527034

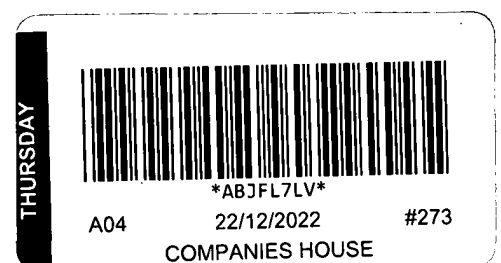
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**ENKA UK CONSTRUCTION LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2021**



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**ENKA UK CONSTRUCTION LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	S Akturk Ö Aslan O Kirkgoz K Yalcin U Yurttutan
<b>Company secretary</b>	Redfern Legal LLP
<b>Registered number</b>	10527034
<b>Registered office</b>	Crossway 156 Great Charles Street Queensway Birmingham B3 3HN
<b>Independent auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL

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**ENKA UK CONSTRUCTION LIMITED**

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## ENKA UK CONSTRUCTION LIMITED

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### STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Introduction

The directors present their Strategic Report of ENKA UK Construction Limited ('the Company'), a subsidiary of the ENKA Group headed by ENKA Insaat Ve Sanayi A.S ('ENKA Group'), for the year ended 31 December 2021.

#### Principal Activities

ENKA UK Construction Limited ('ENKA UK') is engaged in the construction business and it works on a project basis. ENKA UK currently has two contracts for the construction of two power plants in Iraq in consortium with General Electric. The employer is the Iraqi Ministry of Electricity. The scope of work on an Engineering, Procurement and Construction (EPC) basis includes the design, manufacture, delivery to site, erection, painting, setting to work, commissioning, start-up and testing of the Combined Cycle Power Plants. While General Electric's role is mainly to supply and commission the major equipment, ENKA UK's role is the engineering and procurement of Balance of Plant (BOP) equipment, all construction and installation activities, and commissioning the power plants. The power plant configuration is 4x4x1 and will be capable of being operated by 3 different fuels; namely natural gas ('NG'), light distilled oil ('LDO') and heavy fuel oil ('HFO') / crude oil ('CO'). Natural gas is the primary fuel for both plants and the others are backup fuels. Fuel storage and treatment facilities for liquid fuels are also included in the scope of work. The gross output at ISO conditions will be 750 MW for NG and 730 MW for HFO/CO and LDO. Furthermore, Enka UK has been supplying manpower services in Libya since June 2021 and the Company will prefabricate and erect all the piping systems at the Hinkley Nuclear Power Station power island ('HPC') in the UK.

#### Business Review

At the end of 2021, ENKA UK continues to execute the two power plant projects in Iraq simultaneously. The contracts were signed in January 2017. It was planned to finance both power plant projects by UK Export Finance ('UKEF') and the Overseas Private Investment Corporation ('OPIC' - USA). During 2017 and 2018 the OPIC portion was dismissed. Accordingly, the parties and stakeholders agreed to split the projects into 2 phases; Phase 1 being a Simple Cycle Power Plant and Phase 2 being a Combined Cycle Power Plant. Accordingly an amended and restated contract was signed in November 2018. Phase 1 of both projects was financed by UKEF.

The loan agreements between the Iraqi Ministry of Finance, UKEF and other lenders were signed off on 31 December 2018.

Following the execution of the loan agreement in December 2018 the financial closure for Phase 1 of projects occurred in March 2019 and ENKA UK set up an office in the UK. Prior to the financial closure, limited engineering, procurement and construction works were performed, where the construction works were mainly enabling works. Following the financial closure the project execution of Phase 1 commenced and continued at full steam.

Phase 1 of the projects was executed on all work fronts based on the project schedule and was mostly ahead of the project schedule.

The project commissioning works were completed by the end of April 2021 and the Provisional Acceptance Certificate (PAC) was officially signed at the end of June 2021.

There is currently uncertainty about the Phase 2 financial closure. Staff and construction equipment demobilisation therefore started in parallel to the remaining site activities in late 2020, except camp buildings.

In addition to activities abroad, ENKA UK performs business development activities in the UK. In 2021, ENKA UK established a branch office in Libya. The Company supplies manpower services to ENKA INSAAT projects in Libya. Furthermore, ENKA UK has signed a contract for the execution of HPC piping prefabrication and erection works. The project entails complete prefabrication and erection of turbine island piping at both units of

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## ENKA UK CONSTRUCTION LIMITED

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

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Hinkley Point Nuclear Power Plant, currently being built in Somerset, UK. Directors are assuming that the Company will mobilise the Hinkley site in 2023 and the works are scheduled to be completed in 56 months.

#### Principal risks and uncertainties

The company has an established risk management monitoring and review process which is reviewed regularly. The principal risks and uncertainties facing the business which could have a material impact on the business include:

- i. Political uncertainties, security issues for both Iraq and Libya.
- ii. Finalisation of financial closure of phase 2 of projects by the employer and delay of financial closure of Phase 2 of projects, increasing costs and decreasing profits due to extended project duration.
- iii. Termination of contracts.
- iv. Default by the employer on the loan agreements which may cause an interruption in cash flow.
- v. Multiple fatalities, life-changing injuries, injuries and long-term ill health that reduces life expectancy or the quality of life.
- vi. Operational costs or delays due to extreme weather conditions.
- vii. Difficulties in attracting, recruiting and/or retaining employees with needed competencies.
- viii. Damaged reputation; if suppliers and subcontractors act in ways not consistent with ENKA UK's values.
- ix. Failure by a supplier could result in ENKA UK facing a financial loss, damaged reputation and inability to meet the project schedule.
- x. Global tensions/crises.

#### Key Performance Indicators

As ENKA UK's works are on a project basis the main key performance indicator (KPI) for the company is project profitability, in 2021 we had substantial improvements in progress.

	2021	2020
	\$	\$
Turnover	71.0 million	187.4 million
Gross Profit	10.1 million	23.1 million

#### Future Outlook

ENKA UK will mobilise the full workforce at the construction sites and will complete all projects according to the contract requirements.

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## ENKA UK CONSTRUCTION LIMITED

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

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#### S172 Statement

S172 of the Companies Act 2006 sets out the duties of each Director of the company to act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of shareholders as a whole and in doing so, have regard to a number of broader matters which are set out below:

- (a) the likely consequences of any decision in the long term;
- (b) the interest of the Company's employees;
- (c) the need to foster the Company's business relationships with suppliers, partners, customers, and others;
- (d) the impact of the Company's operations on the community and the environment;
- (e) the desirability of the company maintaining a reputation for high standards of business conduct;
- (f) the need to act fairly between members of the company.

The directors of ENKA UK make strategic decisions on behalf of the Company and manage the Company on a day to day basis.

In making these decisions the directors consider their legal duties and the priorities and requirements of the sole shareholder, ENKA Holding B.V.

**(a) the likely consequences of any decision in the long term;**

ENKA UK's strategic decisions influence the decisions taken by the directors in areas such as structuring the business into cash-generating units, business development, supply chain, sustainability and key internal processes.

The strategy adopted by the ENKA UK directors for the UK market takes into account UK laws and regulations and UK supplier and employee needs.

The directors take into account the impact of any decision on both the short term and long term interests of the company and its sole stakeholder. The dividend is a key decision; the directors consider the Company's ability to distribute a dividend, taking into account the needs of the parent company.

**(b) the interests of the Company's employees;**

The directors recognise that employee engagement and retention is one of the most important factors in the short term and long term success of the company.

This is encouraged in many ways including:

- An annual online satisfaction survey which all employees are invited to take part in. The results of the survey are shared anonymously with management and used to focus actions for each function and site.
- Health and safety being a priority; breaches of the health and safety policy are highlighted to employees to prevent all levels of accidents occurring and to remind employees that they must prioritise the safety of themselves and their colleagues.
- All employees being required to undertake at least one day of training each year and being encouraged to go beyond this and learn every day.

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## ENKA UK CONSTRUCTION LIMITED

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

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**(c) the need to foster the Company's business relationships with suppliers, partners, customers, and others;**

Supplier evaluations are undertaken by procurement management and the results are reviewed by the directors to drive supplier service excellence.

The Enka Group has a supplier code of conduct that ENKA UK also uses; it can be found online at <https://www.enka.com/tr/egvn/>.

The ENKA Group procurement teams work collaboratively with ENKA UK's suppliers to ensure that this code of conduct is met by suppliers.

The standard ENKA UK intercompany payment terms are 90 days and the Company's average payment terms for suppliers outside of ENKA UK is 30 days.

**(d) the impact of the Company's operations on the community and environment;**

The emission values of the projects have been designed in accordance with World Bank standards and it is expected to have the lowest environmental impact at the location where it is established.

The project carried out in the region has provided the local people with employment and the capacity to develop themselves. Additionally many purchases and services have been received from local companies.

These power plants have supplied regular electricity to the region since June 2020, much ahead of the contractual schedule. It is highly beneficial to the local communities and infrastructure.

**(e) the desirability of the Company maintaining a reputation for high standards of business conduct;**

There is a whistleblowing line called the ENKA Ethics Hotline on the home page of the Company's internet site which is linked into the ENKA Group. Employees can raise issues in confidence if they are concerned about non-compliance with any policy.

Employees and all relevant stakeholders can convey concerns that they cannot alleviate by dealing with their managers or local project management by contacting the ENKA Ethics Hotline.

ENKA UK is committed to maintaining confidentiality to the maximum extent possible and strictly prohibits retaliation against anyone who makes a good faith report.

Reports may be made anonymously in Turkish, English, Russian and Kazakh languages.

While company-wide adherence to the latest in engineering and management sciences has always ensured the highest quality, the ENKA Group's standards are also based on internationally acknowledged procedures. ENKA Group's in-house systems, pertaining to quality, are endorsed by the BSI and ASME and include Quality Management System (ISO 9001), Environmental Management System (ISO 14001), Occupational Health and Safety System (OHSAS 18001) and ASME Certificates of Authorization (A, S, U, and U2).

**(f) the need to act fairly between members of the Company;**

It is company policy that there should be no unfair discrimination in considering applications for employment, based on equal opportunities to all, irrespective of sex, race, colour, disability, or marital status.

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests.

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ENKA UK CONSTRUCTION LIMITED

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

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COVID-19

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020.

Since the beginning of the outbreak of COVID-19 ENKA UK's priority has been to safeguard the health and safety of its employees and business partners.

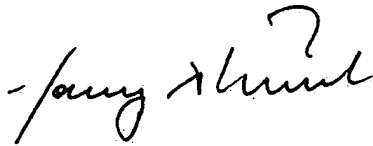
The directors are actively managing the COVID-19 situation and constantly monitoring it. They follow the World Health Organization's strategy of disease containment, continuing to take measures to reduce the risk of disease transmission.

ENKA UK has a contingency plan in place for various types of business interruption and was able to use this to quickly react to manage this situation.

The health and well-being of the Company's staff are being monitored closely and communications from the directors have been increased to both those working on-site and at home.

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

S Akturk  
Director



Date:

19 December 2022



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## ENKA UK CONSTRUCTION LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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The directors present their report and the financial statements of the Company for the year ended 31 December 2021.

#### Principal activity

The principal activity of the Company continued to be that of engineering and construction.

The Company also has a branch in Iraq, supplies services in Libya and has an office in the UK for its UK business development activities.

#### Results and dividends

The profit for the year, after taxation, amounted to \$12,611,581 (2020 - \$18,301,398).

Interim dividends of \$Nil (2020: \$40,000,000) were paid during the year. The directors do not recommend payment of a final dividend.

#### Statement of corporate governance

The Company is a wholly-owned subsidiary of the Enka Holding B.V., the strategic decisions of the ENKA Group have a major influence on the decisions of the Company.

Many of the processes and systems of the Company are implemented by the ENKA Group worldwide. The local implementation is done by employees with relevant experience and qualifications.

The main objectives are; to present the proposals for the corporate governance policies of the Company, enhance the quality of the corporate governance applications, and inform the Board of Directors about the effect, the pursuit of the legislation of the corporate governance principles and the generally accepted corporate governance principles of the international capital markets, and about implementing those principles which it deems applicable.

#### Management Structure

The target in determining the directors is to create a structure that will enable the members to make productive and constructive activities, to take decisions quickly and rationally, and to form committees in order to organise their activities in an effective way.

The annual appraisal and goal setting procedure apply to the directors in the same way as for all other employees of the Company.

The directors will take into account the needs of all stakeholders and UK regulatory requirements when implementing the ENKA Group goals. Directors will be guided by the ENKA Group's vision when considering the impact of key decisions.

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## ENKA UK CONSTRUCTION LIMITED

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

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#### Employee rights and employee satisfaction

- All ENKA employees have the pension rights and rights to maternity/paternity leave specified in the laws.
- All ENKA employees have the right to a 50% discount at ENKA Sports, which is one of Turkey's leading sports clubs.
- All ENKA employees have the right to a 20% discount for events organized by ENKA Culture & Arts, which hosts a variety of well-respected artistic performances.
- One day of volunteer leave right in a month is provided to employees who want to take part in volunteering projects.
- Every year, sailing programs are organized especially for employees with and without sailing experience, at basic and advanced levels.
- Health services in clinics established at the head office and projects are offered free of charge.
- Suitable menus are being prepared for vegetarians and for employees needing special diets.

#### Risk management and internal controls mechanism

It is to early identify any potential risks that might jeopardise the existence, development, and continuation of the Company, and to take and implement the necessary measures and preventive actions for the elimination of such detected potential risks as well as to perform any workings related to risk management and to review at least once a year any applied risks management systems.

The internal control unit within the structure of the Company, which periodically inspects the projects and the group companies in advance and proposes the necessary solutions for any deviations from the objectives, as well as all of the potential risk factors to the management. The internal control systems and its structure is organised in a way that can eliminate all risks to be encountered by the Company, especially the ones which could adversely affect the activities and proactively works for the solution without encountering any problems even in the crisis period.

#### Mission, vision and objectives of the Company

##### Our Mission:

To design, build, and deliver safe, high-quality, and cost-effective construction projects on schedule for our customers while providing quality employment and career growth opportunities for ENKA Employees.

##### Our Vision:

To be one of the best and innovative engineering & construction companies serving globally.

##### Our Performance Objectives:

- To be open to innovations, using advanced technologies, and always seeking the better;
- To be prudent and sensitive about work security and environment protection;
- To train our young employees in accordance with our culture as creative, hardworking, and honest employees and to ensure that our employees work as individuals who have self-confidence, are able to communicate and use discretionary power and take responsibility; and
- To seek our competitive power and profit in perfecting our management and technical skills.

The objectives that reflect our sensitivity about completing the works before the end of the planned time frame and delivering to the client are pursued very diligently at the highest and most detailed level.

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## ENKA UK CONSTRUCTION LIMITED

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

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#### Going concern

The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future developments, performance, and position are set out in the Strategic Report. The forecasts and projections for projects in which the Company is engaged, taking account of reasonably possible changes in trading performance, show that the Company should be able to manage business risk successfully. Furthermore, the directors note that the Company has sufficient cash resources in order to continue to operate for the foreseeable future. In this regard, the directors have considered the current and future plans for the delivery of the projects and the financial position of the Company.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months post the date of signing the financial statements. The directors, therefore, continue to adopt the going concern basis in preparing the financial statements.

#### Directors

The directors who served during the year were:

S Akturk  
Ö Aslan  
K Yalcin  
U Yurttutan (appointed 28 May 2021)  
O Kirkgoz (appointed 9 February 2022)

#### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements of the Company for each financial year. Under that law the directors have elected to prepare the financial statements of the Company in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements of the Company 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 these financial statements of the Company, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements of the Company 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.

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## ENKA UK CONSTRUCTION LIMITED

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

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#### Streamlined energy and carbon reporting statement

##### Introduction

In accordance with ENKA's Sustainability Policy, ENKA and its group companies clearly declare their commitment to "Reducing the Environmental Impact" arising from its activities through its Environmental Management Approach and Policy to both the public and all of its stakeholders and highlights its importance to the Company. Please refer to the links below for ENKA's Sustainability Policy and also Environmental Management Approach and Policy:

<https://www.enka.com/sustainability/home/strategy/sustainability-policy/>

<https://www.enka.com/sustainability/home/health-safety-environment/environment-management-approach-policy/>

ENKA Insaat and its subsidiaries implement systems in line with international environmental management standards to fulfil these commitments, operate in accordance with the ISO 14001:2015 Environmental Management System Standard and open their systems to audits by independent organisations.

ENKA UK Construction Limited (ENKA UK) has prepared this report in compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the 2018 Regulations.

For more information on ENKA Group's sustainability performance and climate change response, please refer to ENKA 2020 Sustainability Report and Company's current CDP responses.

[https://www.enka.com/allfiles/pdf/ENKA\\_Sustainability\\_Report\\_2021.pdf](https://www.enka.com/allfiles/pdf/ENKA_Sustainability_Report_2021.pdf)

<https://www.enka.com/sustainability/enka-cdp-climate-change-water-security-2022-answers/>

##### Organisational and operational boundaries of the Company

ENKA UK Construction Limited (ENKA UK) is engaged in the construction business and works on a project basis. Currently, Iraq projects are in the guarantee period now. We assumed that the guarantee period will be completed in 2022. We are giving manpower services in Libya as of 2021, and we assumed that the projects will be completed in 2022. Furthermore, we will prefabricate and erect all piping systems of the power island at Hinkley Nuclear Power Station in the UK. We are assuming that we will mobilize to the site in the year of 2023.

Since there weren't any site activities of the Company, the environmental performance reporting below has been made covering the all ENKA group companies in total.

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## ENKA UK CONSTRUCTION LIMITED

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

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#### Environmental Performance and Reporting Methodology

Please note that the environmental performance values below are the consumption and emission calculations for ENKA and its subsidiaries operating various locations worldwide. Those operations are not within the boundaries of UK.

#### Scope 1 GHG Emissions (tCO<sub>2</sub>e)

Diesel (stationary)	31.896,23
Diesel (Mobile-onroad)	9.171,84
Diesel (mobile-offroad)	49.003,15
Gasoline (mobile-onroad)	698,85
LPG (mobile)	3,20
Natural Gas	3.928.297,91
LPG	58,20
Refrigerant emissions	6.395,49

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<b>Total</b>	<b>4.025.524,87</b>
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#### Scope 2 GHG Emissions (tCO<sub>2</sub>e)

Purchased Electricity	99.253,95
Heating Purchased	73.180,10
Steam Purchased	1.379,22
Electricity Sold	-

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<b>Total</b>	<b>173.813,27</b>
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<b>Total Scope 1 + 2</b>	<b>4.199.338,14</b>
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#### Energy Consumption (kWh)

Fuel Consumption	19,105,280,000
Electricity	303,611,100
Heat	125,000,000
Steam	47,500,000
<b>Total Energy Consumption</b>	<b>19,581,391,100</b>

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#### Energy Consumption (TJ)

Fuel Consumption	68,779
Electricity	1,093
Heat	450
Steam	171
<b>Total Energy Consumption</b>	<b>70,493</b>

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## ENKA UK CONSTRUCTION LIMITED

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

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#### Base year

2021

#### Intensity ratio

Greenhouse Gas Emission Intensity Scope 1 + Scope 2 (financial) 33.37 tCO<sub>2</sub>e/million USD (for ENKA Group in total)

#### Energy Efficiency and Carbon Emission Reduction Actions

ENKA is aware of the negative effects of climate change and greenhouse gas emissions on the world and conducts its activities with efforts to minimise its negative impacts on the environment and climate. In line with its sustainability policy statement ENKA assesses its climate change risks and strictly monitors and reports its fuel & energy consumption and carbon emissions and accordingly takes action to reduce its emissions of its activities.

In order to reduce its carbon emissions, ENKA communicates climate related risks with its employees and individual actions that they can take during their daily lives. For this purpose ENKA publishes monthly sustainability newsletters for the attention of its all employees. As a part of its project planning and implementation phases, ENKA considers emission reduction measures as an EPC contractor. Below you may find some of the actions taken at the operation sites of the Company in order to reduce carbon emissions.

In order to reduce human-induced greenhouse gas emissions, environmental conditions were carefully considered when determining the thermal insulation thickness on the buildings in the Dhi Qar and Samawa Cycle Power Plant projects. Taking into account the hot climate conditions in the regions in which the projects are located, the insulation thickness specified in the project contract was exceeded and the use of ventilation equipment has been limited.

In order to minimize emissions from machines and construction equipment used in ENKA Insaat projects, the Machinery & Equipment Park is renewed with environmental friendly products. Low emission equipment is prioritized in the equipment supply planning carried out every year. Accordingly, with the efforts within the last four years, the number of low-emission machinery and equipment in the machinery park has reached 70% of the total machinery and equipment. It is aimed to increase this rate in the following years.

The Company will sustain its efforts to reduce the carbon emissions of its operations with its engineering solutions and will continue communicating with and train its employees on climate change and carbon emission reduction measures.

#### Methodology

The methodologies used for calculating are the ISO 14064-1 and the GHG Protocol Corporate Accounting and Reporting Standards. For conversion factors IPCC, UNFCC and DEFRA data were used.

#### Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

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**ENKA UK CONSTRUCTION LIMITED**

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

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**Matters of strategic importance**

Future developments, principal risks and uncertainties and disclosure regarding the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, are not shown in the directors' report as they are instead included in the strategic report on pages 1 to 2 under S414c(11).

**Post balance sheet events**

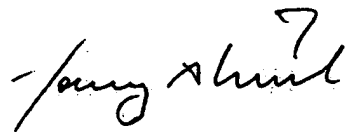
There have been no significant events affecting the Company since the year end.

**Auditor**

The auditor, Buzzacott LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

**S Akturk**  
Director



Date:

19 December 2022

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## ENKA UK CONSTRUCTION LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE OF ENKA UK CONSTRUCTION LIMITED

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#### Opinion

We have audited the financial statements of ENKA UK Construction 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 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 United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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



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## ENKA UK CONSTRUCTION LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE OF ENKA UK CONSTRUCTION LIMITED (CONTINUED)

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#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's report thereon. 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.

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

We have nothing to report in this regard.

#### 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 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, 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.

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## ENKA UK CONSTRUCTION LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE OF ENKA UK CONSTRUCTION LIMITED (CONTINUED)

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#### Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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:

How the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- 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, including knowledge specific to construction firms;
- we made enquiries of management as to where they considered there was susceptibility to fraud, and their knowledge of actual, suspected and alleged fraud;
- we identified the laws and regulations that could reasonably be expected to have a material effect on the financial statements of the Company through discussions with directors and other management at the planning stage, and from our knowledge and experience of construction firms;
- the audit team held a discussion to identify any particular areas that were considered to be susceptible to misstatement, including with respect to fraud and non-compliance with laws and regulations; and
- we focused our planned audit work on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Company including the Companies Act 2006, Health & Safety Act 1974, Construction (Design & Management) Regulations 2015, employment legislation, and taxation legislation.

We assessed the extent of compliance with the laws and regulations identified above through:

- making enquiries of management;
- inspecting legal expenditure throughout the year for any potential litigation or claims; and
- considering the internal controls in place that are designed to mitigate risks of fraud and non-compliance with laws and regulations.

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## ENKA UK CONSTRUCTION LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE OF ENKA UK CONSTRUCTION LIMITED (CONTINUED)

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To address the risk of fraud through management bias and override of controls, we:

- determined the susceptibility of the Company to management override of controls by checking the implementation of controls and enquiring of individuals involved in the financial reporting process;
- reviewed journal entries throughout the year to identify unusual transactions;
- performed analytical procedures to identify any large, unusual or unexpected transactions and investigated any large variances from the prior year;
- reviewed accounting estimates and evaluated where judgements or decisions made by management indicated bias on the part of the Company's management;
- tested the completeness and accuracy of revenue by reviewing the terms of construction contracts and the estimated costs of completion and investigated any material variances to expectations; and
- carried out substantive testing to check the occurrence and cut-off of expenditure.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error as they may involve deliberate concealment or collusion. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

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](http://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.



**Philip Westerman** (Senior statutory auditor)

for and on behalf of  
**Buzzacott LLP**

130 Wood Street  
London  
EC2V 6DL

Date: 19 December 2022

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**ENKA UK CONSTRUCTION LIMITED**

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

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	Note	2021 \$	2020 \$
Turnover	4	71,049,612	187,415,027
Cost of sales		(60,976,865)	(164,304,797)
<b>Gross profit</b>		<u>10,072,747</u>	<u>23,110,230</u>
Other operating income	5	171,521	129,976
Profit on the sale of tangible fixed assets		5,468,802	-
<b>Operating profit</b>	6	<u>15,713,070</u>	<u>23,240,206</u>
Tax on profit	10	(3,101,489)	(4,938,808)
<b>Profit for the financial year</b>		<u><u>12,611,581</u></u>	<u><u>18,301,398</u></u>

The Statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 20 to 37 form part of these financial statements.

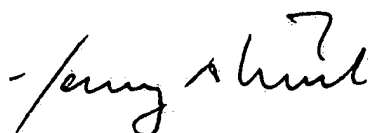
**ENKA UK CONSTRUCTION LIMITED**  
**REGISTERED NUMBER: 10527034**

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

	Note	2021 \$	2020 \$
<b>Fixed assets</b>			
Tangible assets	12	4,573,553	9,387,906
<b>Current assets</b>			
Debtors: amounts falling due within one year	13	19,852,519	14,491,130
Cash at bank and in hand	14	7,188,110	48,000,778
		<u>27,040,629</u>	<u>62,491,908</u>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	15	(14,485,310)	(71,880,710)
<b>Net current assets/(liabilities)</b>		<u>12,555,319</u>	<u>(9,388,802)</u>
<b>Total assets less current liabilities</b>		<u>17,128,872</u>	<u>(896)</u>
<b>Provisions for liabilities</b>			
Deferred tax	16	(518,187)	-
Other provisions	17	(4,000,000)	-
<b>Net assets/(liabilities)</b>		<u><u>12,610,685</u></u>	<u><u>(896)</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	127	127
Profit and loss account	19	12,610,558	(1,023)
		<u><u>12,610,685</u></u>	<u><u>(896)</u></u>

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

S Akturk  
Director



Date: 19 December 2022

The notes on pages 20 to 37 form part of these financial statements.

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ENKA UK CONSTRUCTION LIMITED

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

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	Called up share capital \$	Profit and loss account \$	Total equity \$
At 1 January 2020	127	21,697,579	21,697,706
Profit for the year	-	18,301,398	18,301,398
Dividends: Equity capital	-	(40,000,000)	(40,000,000)
At 1 January 2021	127	(1,023)	(896)
Profit for the year	-	12,611,581	12,611,581
At 31 December 2021	127	12,610,558	12,610,685

The notes on pages 20 to 37 form part of these financial statements.

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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1. General information

ENKA UK Construction Limited is a private company limited by shares and is registered and incorporated in England and Wales. The principal place of business and registered office is Crossway, 156 Great Charles Street Queensway, Birmingham, B3 3HN.

The Company's principal activities and nature of its operations are disclosed in the Directors' Report.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006 including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in US Dollars, which is the functional and presentational currency of the Company. Monetary amounts in these financial statements are rounded to the nearest \$.

The preparation of financial statements in compliance with FRS 102 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).

The following principal accounting policies have been applied:

##### 2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Enka Insaat ve Sanayi A. S. as at 31 December 2021 and these financial statements may be obtained from its registered office situated at Balmumcu, Zincirlikuyu Yolu, No. 10, 34349 ENKA Binasi, Besiktas, Istanbul, Turkey.

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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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## 2. Accounting policies (continued)

### 2.3 Going concern

The financial statements have been prepared on a going concern basis. The Company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic Report. The forecasts and projections for projects in which the Company is engaged, taking account of reasonably possible changes in trading performance, show that the Company should be able to manage business risk successfully. Furthermore, the directors note that the Company has sufficient cash resources in order to continue to operate for the foreseeable future. In this regard, the directors have considered the current and future plans for the delivery of the projects and the financial position of the Company.

The Company has obtained a group letter of support which confirms the parent Company will provide adequate support to the Company, as required, to pay its debts as they fall due for a period of 12 months following the approval of the financial statements for the year ended 31 December 2021. The directors are satisfied that the parent company are in a position to provide such support.

After making the above enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months post the date of signing the financial statements. The directors therefore continue to adopt the going concern basis in preparing the financial statements.

### COVID-19

The World Health Organisation declared the COVID-19 outbreak a health emergency on 30 January 2020 and a global pandemic on 11 March 2020.

Since the beginning of the outbreak of COVID-19, ENKA UK's priority has been to safeguard the health and safety of its employees and business partners.

The directors are actively managing the COVID-19 situation and constantly monitoring it. We are following the World Health Organization's strategy of disease containment and are continuing to take measures to reduce the risk of disease transmission.

ENKA UK has a contingency plan in place for various types of business interruption and was able to use these to quickly react to managing this situation.

At the time of signing these accounts all of the ENKA UK's project sites are active and operating and are expected to continue to do so.

Procurement teams are liaising with suppliers to provide the service they need now and in the future and to maintain supply chain visibility during this period.

The health and well-being of our staff are being monitored closely and communications from the directors have been increased to both those working on-site and at home.



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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.4 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is USD.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

##### 2.5 Turnover

Where the outcome of a construction contract can be estimated reliably, turnover and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Turnover arising from cost plus fee contracts is recognised on the basis of costs incurred plus a percentage of the contract fee earned during the year. Contract costs include all direct material and labour costs and those indirect costs related to contract performance, such as indirect labour, supplies, tools, repairs and depreciation costs. Selling, general and administrative expenses are charged to the statement of comprehensive income as incurred. Provisions for estimated losses on uncompleted contracts are made in full, in the period in which such losses are determined. Changes in job performance, job conditions and estimated profitability, including those arising from contract penalty provisions and final contract settlements may result in revisions to costs and income and are recognised in the period in which the revisions are determined. Profit incentives are included in turnover when their realization is reasonably assured. Costs and estimated earnings in excess of billings on uncompleted contracts represent turnover recognised in excess of amounts billed. Billings in excess of costs and estimated earnings on uncompleted contracts represent billings in excess of turnover recognised and are included in other creditors.

Turnover arising from the provision of manpower to ENKA INSAAT projects in Libya is recognised in line with the service agreement on an accruals basis.

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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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## 2. Accounting policies (continued)

### 2.6 Pensions

#### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

### 2.7 Current and deferred taxation

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

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### 2.8 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence. The exceptional item recognised during the year relates to the profit on disposal of fixed assets utilised on the Iraq projects.

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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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## 2. Accounting policies (continued)

### 2.9 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Property related asset	- 25% Straight line
Plant and machinery	- 15-25% Straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

During the year ended 31 December 2021, the directors revised their estimate of residual values for plant and machinery utilised in the two Iraq projects. This resulted in a decrease in the depreciation charge during the year of \$2,500,000, increasing the net book value of tangible fixed assets and reducing cost of sales.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

### 2.10 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

### 2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

### 2.12 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

##### 2.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

##### 2.15 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

###### Basic financial assets

Basic financial assets, which include other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

###### Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 2. Accounting policies (continued)

##### 2.15 Financial instruments (continued)

###### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

###### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

###### **Basic financial liabilities**

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

###### **Derecognition of financial liabilities**

Financial liabilities are derecognised when, and only when, the Company's contractual obligations are discharged, cancelled, or they expire.

###### **Equity instruments**

Equity instruments issued by the Company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

##### 2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

##### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

##### **Revenue recognition**

The Company uses the 'percentage of completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded for contract costs in determining the stage of completion.

##### **Provisions**

On issuance of an operational acceptance certificate, the company estimates the costs to completion under a project's defect liability period. These costs are recognised as a provision at the reporting date.

#### 4. Turnover

Turnover relates to power plant construction projects carried out in Iraq, the provision of manpower to ENKA INSAAT projects in Libya, and HPC piping prefabrication and erection works in Hinkley Point Nuclear Power Plant, Somerset.

An analysis of turnover by class of business is as follows:

	2021 \$	2020 \$
Turnover	<u>71,049,612</u>	<u>187,415,027</u>

Analysis of turnover by country of destination:

	2021 \$	2020 \$
United Kingdom	80,157	-
Rest of the world	70,969,455	187,415,027
	<u>71,049,612</u>	<u>187,415,027</u>

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ENKA UK CONSTRUCTION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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5. Other operating income

	2021	2020
	\$	\$
Other operating income	171,521	129,976

6. Operating profit

The operating profit is stated after charging:

	2021	2020
	\$	\$
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(196,460)	554,601
Depreciation on owned tangible fixed assets	557,882	4,550,878
Profit on the sale of tangible fixed assets	5,468,802	-

During the year ENKA UK disposed of Iraqi fixed assets with a cost of \$10,728,044 and accumulated depreciation of \$6,461,573 (Note 12) resulting in a profit on disposal of \$5,468,802.

7. Auditor's remuneration

	2021	2020
	\$	\$
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	57,167	41,453
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
Taxation compliance services	-	17,975
All other services	-	6,420
	-	24,395

The fees for the auditor's remuneration relating to the year ended 31 December 2020 were paid to the Company's previous auditors.

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ENKA UK CONSTRUCTION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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8. Employees

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

	2021 \$	2020 \$
Wages and salaries	29,470,246	40,663,664
Social security costs	859,349	930,293
Cost of defined contribution scheme	14,398	26,770
	<u>30,343,993</u>	<u>41,620,727</u>

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

	2021 No.	2020 No.
Project management staff	133	246
Production	758	2,047
	<u>891</u>	<u>2,293</u>

9. Directors' remuneration

	2021 \$	2020 \$
Directors' emoluments	70,254	140,755
Company contributions to defined contribution pension schemes	4,852	1,498
	<u>75,106</u>	<u>142,253</u>

During the year retirement benefits were accruing to 1 director (2020 - 1) in respect of defined contribution pension schemes.



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**ENKA UK CONSTRUCTION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**10. Taxation**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Corporation tax</b>		
Current tax on profits for the year	2,677,266	5,314,108
Adjustments in respect of previous periods	(187,717)	(100,007)
Double taxation relief	(32,589)	(64,758)
	<u>2,456,960</u>	<u>5,149,343</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	49,182	69,073
<b>Total current tax</b>	<u>2,506,142</u>	<u>5,218,416</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	333,810	(279,608)
Adjustments in respect of prior periods	217,286	-
Effect of tax rate change on opening balance	44,251	-
<b>Total deferred tax</b>	<u>595,347</u>	<u>(279,608)</u>
<b>Taxation on profit on ordinary activities</b>	<u>3,101,489</u>	<u>4,938,808</u>

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ENKA UK CONSTRUCTION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2020 - *higher than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 \$	2020 \$
Profit on ordinary activities before tax	15,713,070	23,240,206
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	2,985,483	4,415,639
Effects of:		
Adjustments to tax charge in respect of previous periods	72,498	-
Permanent capital allowances in excess of depreciation	-	196,055
Foreign exchange differences	(97,450)	299,009
Foreign tax credits	16,593	4,288
Remeasurement of deferred tax for change in rates	124,365	23,817
Total tax charge for the year	3,101,489	4,938,808

Factors that may affect future tax charges

On 10 June 2021, the Finance Bill 2021 received Royal Assent. The Bill confirms an increase in the corporation tax rate from 1 April 2023. From this date, the rate will taper from 19% for businesses with profits of less than £50,000 to 25% for businesses with profits over £250,000.

The deferred taxes at the reporting date and reflected in these financial statements have been measured at 25% (2021: 19%), being the rate that was substantively enacted at the reporting date and the expected rate at which the deferred tax liability will be realised

11. Dividends

	2021 \$	2020 \$
Interim paid	-	40,000,000

In the year ended 31 December 2020, two interim dividends were declared, being \$10,000,000 on 7 May 2020 and \$30,000,000 on 3 November 2020.

In accordance with sections 836 and 838 of the Companies Act 2006, the directors prepared interim accounts to confirm the company had sufficient distributable reserves to pay the dividends declared.

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**ENKA UK CONSTRUCTION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**12. Tangible fixed assets**

	Property related assets \$	Plant and machinery \$	Total \$
<b>Cost or valuation</b>			
At 1 January 2021	4,112,486	17,554,087	21,666,573
Disposals	-	(10,728,044)	(10,728,044)
At 31 December 2021	<u>4,112,486</u>	<u>6,826,043</u>	<u>10,938,529</u>
<b>Depreciation</b>			
At 1 January 2021	3,682,842	8,595,825	12,278,667
Charge for the year (see Note 2.9)	273,057	284,825	557,882
Disposals	-	(6,471,573)	(6,471,573)
At 31 December 2021	<u>3,955,899</u>	<u>2,409,077</u>	<u>6,364,976</u>
<b>Net book value</b>			
At 31 December 2021	<u>156,587</u>	<u>4,416,966</u>	<u>4,573,553</u>
At 31 December 2020	<u>429,644</u>	<u>8,958,262</u>	<u>9,387,906</u>

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ENKA UK CONSTRUCTION LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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13. Debtors

	2021 \$	2020 \$
Trade debtors	7,237,354	1,194,521
Amounts owed by group undertakings	11,867,747	9,616,364
Other debtors	747,418	3,551,604
Prepayments and accrued income	-	51,481
Deferred taxation (Note 17)	-	77,160
	<u>19,852,519</u>	<u>14,491,130</u>

14. Cash and cash equivalents

	2021 \$	2020 \$
Cash at bank and in hand	<u>7,188,110</u>	<u>48,000,778</u>

15. Creditors: Amounts falling due within one year

	2021 \$	2020 \$
Trade creditors	1,740,302	7,688,883
Amounts owed to group undertakings	-	9,732,151
Corporation tax	2,570,748	5,315,256
Other taxation and social security	1,547,323	433,951
Other creditors	2,976,776	2,546,383
Deferred contract revenue	5,650,161	46,164,086
	<u>14,485,310</u>	<u>71,880,710</u>

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**ENKA UK CONSTRUCTION LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**16. Deferred taxation**

	<b>2021</b>
	<b>\$</b>
At beginning of year (Note 13)	77,160
Charged to profit or loss	(518,187)
Utilised in year	(77,160)
<b>At end of year</b>	<b>(518,187)</b>

The deferred taxation balance is made up as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Accelerated capital allowances	(518,187)	77,160

**17. Provisions**

	<b>Defect liability period provision \$</b>
Charged to profit or loss	4,000,000
<b>At 31 December 2021</b>	<b>4,000,000</b>

Provisions relate to the company's estimated costs to completion for projects that have received their operational acceptance certificate and are in the defect liability period.

**18. Share capital**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Allotted and called up</b>		
100 (2020 - 100) Ordinary shares of £1.00 each	127	127

The ordinary shares have attached full rights in the Company with respect to voting, dividends and distributions.

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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 19. Reserves

##### Profit and loss account

Profit and loss account reserve represents cumulative profit and loss net of distributions to owners.

#### 20. Pension commitments

The Company operates a defined contributions pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to \$14,398 (2020 - \$26,770). Contributions totalling \$805 (2020 - \$1,555) were payable to the fund at the balance sheet date and are included in creditors.

#### 21. Commitments under operating leases

The Company had no commitments under non-cancellable operating leases at the reporting date.

#### 22. Related party transactions

During the year ENKA UK Construction Limited purchased equipment of \$81,046 (2020 - \$2,020,144) and received services totalling \$882,354 (2020 - \$577,690) from ENKA Insaat Ve Sanayi A.S. and ENKA Insaat Ve Sanayi A.S purchased services from ENKA UK Construction Limited totalling \$16,182 (2020 - \$Nil). At the year end \$219,701 (2020 - \$24,987) was due to ENKA Insaat Ve Sanayi A.S., the entity's ultimate parent undertaking, and is included within other creditors.

During the year ENKA UK Construction Limited purchased equipment of \$99,814 (2020 - \$1,481,949) from ENKA Pazarlama Ihracat Ithalat AS., a related party by virtue of being under common control. At the year end \$48,661 (2020 - \$1,356,551) was due from ENKA Pazarlama Ihracat Ithalat A.S. and is included within other debtors.

During the year Cimtas Boru Imalatari Ve Tic. Ltd. Sti. provided engineering services totalling \$Nil (2020 - \$83,405) to ENKA UK Construction Limited and membership expenses of \$11,277 (2020 - \$12,043) by ENKA UK Construction Limited. Cimtas Boru Imalatari Ve Tic. Ltd. Sti., a related party by virtue of being under common control, received repayments during the year of \$11,277 (2020 - \$12,043) from ENKA UK Construction Limited. At the year end \$Nil (2020 - \$1,860) was due to the related party and is included within other creditors.

During the year the entity made advances of \$249,926 (2020 - \$8,243,183) to ENKA Holding B.V., and made profit distributions of \$Nil (2020 - \$40,000,000). At the year end, \$249,926 (2020 - \$8,243,183) was outstanding in receivables from ENKA Holding B.V. and is included within other debtors.

During the year, Kastar Arabia Ltd provided rental equipment totalling \$Nil (2020 - \$4,000). Kastar Arabia Ltd is a related party by virtue of being under common control. \$Nil (2020 - \$Nil) was outstanding at the year end.

During the year Entas Nakliyat Ve Turizm AS. paid for travel and subsistence expenses totaling \$185,435 (2020 - \$955,084) on behalf of the Company and received repayments of \$248,772 (2020 - \$975,530). Entas Nakliyat Ve Turizm AS. is a related party by virtue of being under common control. At the year end \$12,633 (2020 - \$75,971) was outstanding from the entity and is included within other creditors.

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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 22. Related party transactions (continued)

During the year Gebze Elektrik Uretim Ltd.Sti. provided engineering services totalling \$2,082 (2020 - \$32,036) to ENKA UK Construction Limited. Gebze Elektrik Uretim Ltd.Sti. is a related party by virtue of being under common control. \$9 (2020 - \$1,200) was outstanding at the year end and is included within other creditors.

During the year Izmir Elektrik Uretim Ltd.Sti. provided engineering services totalling \$81,328 (2020 - \$163,466) to ENKA UK Construction Limited. Izmir Elektrik Uretim Ltd.Sti. is a related party by virtue of being under common control. \$7,742 (2020 - \$22,042) was outstanding at the year end and is included within other creditors.

During the year ENKA Insaat Ve Sanayi A.S.-Moscow sold equipment to ENKA UK Construction Limited \$Nil (2020 - \$4,137). ENKA Insaat Ve Sanayi A.S.-Moscow is a related party by virtue of being under common control. \$Nil (2020 - \$Nil) was outstanding at the year end and is included within other creditors.

During the year Bechtel-Enka UK Limited purchased equipment totalling \$93,488 (2020 - \$1,363,983) from ENKA UK Construction Limited. Bechtel-Enka UK Limited is a related party by virtue of being under common control. \$39,100 (2020 - \$1,737,182) was outstanding at the year end and is included within other debtors.

During the year ENKA Insaat Ve Sanayi A.S.-Besmaya Power Plant Project purchased equipment and services totalling \$Nil (2020 - \$8,787,276) from ENKA UK Construction Limited. ENKA Insaat Ve Sanayi A.S.- Besmaya Power Plant Project is a related party by virtue of being under common control. \$Nil (2020 - \$8,787,276) was outstanding at the year end and is included within other creditors.

During the year Branch of Enmar construction B.V. in Georgia sold equipment totalling \$Nil (2020 - \$624,145) to ENKA UK Construction Limited. Branch of Enmar construction B.V. in Georgia is a related party by virtue of being under common control. \$Nil (2020 - \$624,145) was outstanding at the year end and is included within other debtors.

During the year ENKA Insaat Ve Sanayi A.S.-Basra Multipurpose Terminal Project sold equipment totalling \$Nil (2020 - \$Nil) to ENKA UK Construction Limited and during the year ENKA Insaat Ve Sanayi A.S.- Basra Multipurpose Terminal Project purchased equipment and services totalling \$Nil (2020 - \$199,558) from ENKA UK Construction Limited. Additionally ENKA UK Construction Limited purchased equipment and services totalling \$106,740 (2020 - \$Nil) from ENKA Insaat Ve Sanayi A.S.-Basra Multipurpose Terminal Project. \$Nil (2020 - \$94,047) was outstanding at the year end and is included within other creditors. ENKA Insaat Ve Sanayi A.S.-Basra Multipurpose Terminal Project is an ENKA Insaat entity state in Iraq; it is a related party by virtue of being under common control.

During the year, ENKA Insaat Ve Sanayi A.S.- Nizhnekamsk Project purchased equipment totalling \$60,990 (2020 - \$Nil) from ENKA UK Construction Limited. ENKA Insaat Ve Sanayi A.S.- Nizhnekamsk Project is a related party by virtue of being under common control. \$Nil (2020 - \$Nil) was outstanding at the year end and is included within other debtors.

During the year ENKA Insaat ve Sanayi A.S. / Iraq Branch Office Produced Water 2 Project purchased equipment and services totalling \$878,146 (2020 - \$Nil) from ENKA UK Construction Limited and during the year ENKA Insaat ve Sanayi A.S. / Iraq Branch Office Produced Water 2 Project sold off equipment and services totalling \$168,837 (2020 - \$199,558) to ENKA UK Construction Limited. \$63,823 (2020 - \$94,047) was outstanding at the year end and is included within other debtors. ENKA Insaat ve Sanayi A.S. / Iraq Branch Office Produced Water 2 Project is an ENKA Insaat entity state in Iraq; it is a related party by virtue of being under common control.

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## ENKA UK CONSTRUCTION LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 22. Related party transactions (continued)

During the year ENKA Insaat Ve Sanayi A.S.-Libya Branch Office sold equipment and service totalling \$Nil (2020 - \$8,438) to ENKA UK Construction Limited and ENKA Insaat Ve Sanayi A.S.-Libya Branch Office purchased \$24,272,726 (2020 - \$Nil) of equipment and services from ENKA UK Construction Limited. ENKA Insaat Ve Sanayi A.S.-Libya Branch Office is a related party by virtue of being under common control \$11,662,814 (2020 - \$8,438) was outstanding at the year end and is included within other debtors.

The Company has taken advantage of the exemption in Financial Reporting Standard 102 "Related Party Disclosures" from disclosing related party transactions within a 100% owned group.

#### 23. Controlling party

Enka Insaat Ve Sanayi A.S, incorporated in Istanbul, Turkey, is the smallest group for which consolidated accounts including Enka UK Construction Limited are prepared. The principal place of business of Enka Insaat Ve Sanayi AS. is 10, Zincirlikuyu Yolu, Balmumcu Mahallesi, 34349, Istanbul, Turkey. These consolidated financial statements are available from its registered office, Balmumcu, Zincirlikuyu Yolu No: 10, 34349 Enka Binası Beşiktaş, Istanbul, Turkey.

The Company's ultimate parent undertaking and controlling party is Enka Insaat Ve Sanayi A.S.



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ENKA UK CONSTRUCTION LIMITED

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DETAILED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2021

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	Note	2021 \$	2020 \$
Turnover		71,049,612	187,415,027
Cost Of Sales		(60,976,865)	164,304,797
<b>Gross profit</b>		<b>10,072,747</b>	<b>23,110,230</b>
Other operating income		5,640,323	129,976
Tax on profit on ordinary activities		(3,101,489)	(4,938,808)
<b>Profit for the year</b>		<b>12,611,581</b>	<b>18,301,398</b>

This page does not form part of the statutory financial statements.

**ENKA UK CONSTRUCTION LIMITED**

**SCHEDULE TO THE DETAILED ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	2021 \$	2020 \$
<b>Turnover</b>		
Sales - Domestic	80,157	-
Sales - Rest of world	70,969,455	187,415,027
	<u>71,049,612</u>	<u>187,415,027</u>
	2021 \$	2020 \$
<b>Cost of sales</b>		
Purchases	30,271,450	117,578,591
Wages and salaries	29,399,992	40,522,909
National insurance	859,349	930,293
Staff pension costs - defined contribution scheme	9,546	25,272
Directors' fees	70,254	140,755
Directors pension costs - defined contribution schemes	4,852	1,498
Depreciation of plant and equipment	557,882	4,550,878
Foreign exchange differences	(196,460)	554,601
	<u>60,976,865</u>	<u>164,304,797</u>
	2021 \$	2020 \$
<b>Other operating income</b>		
Other operating income	171,521	129,976
Profit on the sale of tangible fixed assets	5,468,802	-
	<u>5,640,323</u>	<u>129,976</u>

This page does not form part of the statutory financial statements.