MRC Transmark Holdings UK Limited

Report and Financial Statements

31 December 2020

Directors

E R Bond (resigned 19 May 2021)
C J Hellmund
G R Bates (resigned 1 April 2020)
C C Putter
J L Bowhay (resigned 31 December 2021)
S B Smith (appointed 19 May 2021)

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds LS11 5QR

Bankers

Bank of America Merrill Lynch
2 King Edward Street
London EC1A 1HQ

Registered Office

Heaton House
Riverside Drive
Bradford
West Yorkshire
BD19 4DH

Strategic report (continued)

The directors present their strategic report and the financial statements for the year ended 31 December 2020.

Principal activities and review of the business

The principal activity of the company was that of an international parent undertaking.

The key performance indicators during the year were as follows:

	2020 £	*2019* £	*Changes*
(Loss)/profit on ordinary activities before taxation	(3,937,288)	(1,023,313)	-285%
(Loss)/profit for the financial year after taxation	(4,058,034)	(1,131,698)	-259%
Investments	30,873,453	35,866,252	-13.9%
Equity shareholders' funds	64,299,756	68,094,499	-5.6%

The principle factors influencing the results of the current year are the impairment of investments in subsidiaries and the movement in foreign currency assets and liabilities held by the company (see below).

The Directors' review at the year-end 2020 resulted in an impairment of £4,992,798. This relates to impairments in multiple subsidiary undertakings which operate in the oil and natural gas sectors. During 2020, the widely publicized and discussed coronavirus (COVID-19) outbreak rapidly spread across the world, driving sharp demand destruction for oil and natural gas as whole economies shut down. The virus continued to spread during 2020, extending depressed demand, uncertainty and spending reductions by the entire oil and gas industry.

As part of the company's role in financing the operations of the international group, the company holds a number of loans, most of which are denominated in foreign currencies.

The Board of Directors' Statement on s172(1)

Under section 172 of the UK Companies Act 2006 ('Section 172') directors must act in the way that they consider, in good faith, would be most likely to promote the success of their company. In doing so, our directors must have regard to stakeholders and the other matters set out in Section 172. The information presented below comprises the Section 172 statement, which describes how the directors have had regard to these matters when performing their duties.

We have identified the stakeholder groups below as key to the success of the Company. In light of our objectives and strategies, our directors take steps to understand the needs and priorities of each stakeholder group and do so through a variety of mediums and channels.

The Board of directors ('the Board') meets at times as required. In addition to these board meetings, the wider group senior management team, meets periodically. These receive feedback from various business areas, with particular feedback on specific stakeholder groups, which is then relayed to the Board. The outcome of stakeholder engagement influences the formulation and ongoing review of the long-term strategy and financial planning to ensure that our approach continues to deliver sustainable returns and promotes reputational reward.

As part of the Board decision-making process, the Board considers the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Company's responsible business practices and the likely consequences of decisions in the long term.

The summary below details the interests of each of the relevant stakeholder groups and the approaches taken to engage them.

Strategic report (continued)

The Board of Directors' Statement on s172(1) (continued)

Investors – Our ultimate parent, MRC Global, Inc.

As the owner of the Company, our ultimate parent's priorities are critical to us and their support allows us to implement our strategy and to achieve our long-term plans.

Key topics of engagement	How we engaged in 2020	Considerations and outcomes
Key areas are: • Compliance with all regulations; • Compliance with internal US Group policies; • Operating in ethical manner; • Performance against the strategic and financial plan; and • Effective leadership to ensure the Company's long-term sustainability and ultimately deliver a return on investment.	We have open, frequent dialogue with our parent company senior leadership team through one-to-one meetings, function meetings and board meetings. A matrix reporting structure is in place with our parent company. Key parent company senior leadership members are directors of the UK Group holding companies.	During 2020 there has been a further rationalisation of some of the subsidiary entities with the dissolution of certain non-trading entities. Due to the COVID-19 pandemic an assessment of the value of the international group was performed in 2020. The goodwill held in the parent company accounts was deemed to be impaired and was written down.

Subsidiaries

Oversight and governance of subsidiaries is important to ensuring implementation of our Group strategy and achievement of our Group long-term plans.

Key topics of engagement	How we engaged in 2020	Considerations and outcomes
Key areas are: • Monitoring of performance; • Intercompany balances; • Dividends; and • Consideration of investment values	Directors are consistent across the Company and subsidiaries ensuring the directors can make the appropriate decisions for the benefit of the UK Group as a whole. Formal items are discussed at Board of director meetings where required.	During 2020 there has been a further rationalisation of the Group legal entities with the dissolution of certain non-trading. Due to the COVID-19 pandemic an assessment of the carrying value of the investments in subsidiaries was performed and an impairment was identified and has been recognised in 2020.

Strategic report (continued)

The Board of Directors' Statement on s172(1) (continued)

Employees

Our company's long-term success is dependent on the commitment of our work force to our core values and its demonstration of our values on a daily basis.

Key topics of engagement	How we engaged in 2020	Considerations and outcomes
Key areas are: • Health & Safety; • Employee Development; • Monitoring of performance.	We provide the training & resources necessary to promote safe work practices in all areas of our business. Annual employee development system maintained & completed for each employee.	Training has been vigorously maintained during 2020, despite the current pandemic, by the provision of online training courses, which are tailored to individual employee needs. The EDS system & employee performance for 2020 was completed in February 2021.This has been rolled out again for 2021 and is reviewed & updated, where necessary throughout the year.

Principal risks and uncertainties

The company's principle activities as the parent undertaking of an international group are holding investments, financing operations and growth and the provision of management services to the international group. Consequently the risks to the company include the following.

The performance of subsidiary undertakings is important to ensure the continued value of the investments held. The Directors of the company are closely involved in the monitoring and influencing of performance of the subsidiary undertakings to support their continued value to the company.

Exposure to foreign exchange through the financing activities of the business is and will continue to be a key risk to the business in the international group. The UKs departure from the EU will result in a period of volatility and further exposure to exchange markets.

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. During 2020, the outbreak continued to spread across the world, driving sharp demand destruction for oil and natural gas as whole economies shut down. The spread of the virus extended depressed demand, uncertainty and spending reductions by the entire oil and gas industry.

The spread of the COVID-19 outbreak has caused severe disruption in the UK, the global economy and financial markets. While vaccination programmes have been implemented, new variants have emerged and there remains ongoing uncertainty around the timing and extent of recovery.

We are closely monitoring the potential impact of COVID-19 on our 2021 financial results and cashflows and have prepared a detailed risk assessment and revised projections for the business. Our top priority remains the health and safety of our staff, customers and suppliers.

Strategic report (continued)

On behalf of the Board

Cornelis Putter
Director

28 January 2022

Registered No. 5436123

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2020.

Results and dividends

The loss for the year amounts to £4,058,034 (2019 loss – £1,131,698). The directors do not recommend a final dividend (2019 – £nil).

Going concern

The Company participates in the group's multi-currency global asset-based revolving credit facility (the "Global ABL Facility") and shares these facilities with its parent and fellow subsidiaries. The centralised treasury arrangements entitle the company to access funds as set out in note 15 to the financial statements. A letter of support has been obtained from the ultimate parent reinforcing the rights to funding from the group treasury arrangements. In assessing the ability of the ultimate parent to support the company if needed the directors have received and reviewed a copy of the group managements going concern assessments which are produced as each set of quarterly results are released to the US market in accordance with ASC 205-40-50. The directors note that the US parent has considerable net current assets and very high levels of liquidity due to a combination of cash reserves and access to undrawn but committed facilities. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After performing a going concern assessment for the period to 31 January 2023, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the period to 31 January 2023. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Directors

The directors who served the company during the year were as follows:

E R Bond (resigned 19 May 2021)
C J Hellmund
G R Bates (resigned 1 April 2020)
C C Putter
J L Bowhay (resigned 31 December 2021)
S B Smith (appointed 19 May 2021)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Registered No. 5436123

Directors' report (continued)

Auditors

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

On behalf of the Board

Cornelis Putter
Director

28 January 2022

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MRC Transmark Holdings UK Limited

Opinion

We have audited the financial statements of MRC Transmark Holdings UK Limited for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 17, 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 FRS 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 company's affairs as at 31 December 2020 and of its loss 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 January 2023

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and 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 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.

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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102. And the Companies Act 2006) and compliance with the relevant direct and indirect tax regulations in the United Kingdom. In addition, the company must comply with laws and regulations relating to its operations, including health and safety, anti-bribery and corruption regulations, environmental and General Data Protection Regulation ("GDPR");

- We understood how MRC Transmark Holdings UK Limitedis complying with those frameworks by making inquiries of management to understand how the company maintains and communicates its policies and procedures in these areas. We corroborated our understanding through review of Board Minutes, and we understood controls put in place by management to reduce the opportunities for fraudulent transactions as well as the culture of honest and ethical behaviour.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by EY team wide discussions, communication with management to understand where they considered there was susceptibility to fraud and what entity level controls are in place and knowledge of the business from previous audit. We reviewed all the material manual statutory adjustments required and considered the nature of these transactions. For those that we did not consider to be in normal course of business and are not of a trivial value, we obtained evidence to support the validity of such adjustments including third party documentation where available. Finally, we have assessed managements calculation of each entities value in use which is part of investment impairment review. We have then tested the assessments involved in either recoverable amount of assets or discounted cashflows models, through corroborating evidence and challenging assumptions used. .

- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of manual journals and detailed testing over the investment impairment, The results of our procedures did not identify any instances of non-compliance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://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.

Ernst & Young LLP

Eddie Diamond (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

31 January 2022

Profit and loss account

for the year ended 31 December 2020

	Notes	2020 £	2019 £
Administrative expenses		(418,023)	(2,226,107)
Provision of impairment in subsidiary undertakings	10	(4,992,798)	(269,302)
Operating (loss)/profit	3	(5,410,821)	(2,495,409)
Interest receivable and similar income	6	2,076,132	1,933,610
Interest payable and similar charges	7	(602,600)	(611,217)
Income receivable from group undertakings		-	149,703
(Loss)/profit on ordinary activities before taxation		(3,937,289)	(1,023,313)
Tax on (loss)/profit on ordinary activities	8	(120,745)	(108,385)
(Loss)/profit for the financial year		(4,058,034)	(1,131,698)

All activities relate to continuing operations.

Statement of comprehensive income

for the year ended 31 December 2020

There is no other comprehensive income other than the loss of the company of £4,058,034 in the year ended 31 December 2020 (2019 loss – £1,131,698).

Statement of changes in equity

for the year ended 31 December 2020

	Called up equity share capital	*Share premium account*	*Profit and loss account*	*Equity shareholders' funds*
	£	£	£	£
At 1 January 2019	98,081,163	21,286,756	(50,304,362)	69,063,557
Loss for the financial year	-	-	(1,131,698)	(1,131,698)
Capital contribution by parent undertaking in respect of share-based payments	-	-	162,640	162,640
At 31 December 2019	98,081,163	21,286,756	(51,273,420)	68,094,499
Loss for the financial year	-	-	(4,058,034)	(4,058,034)
Capital contribution by parent undertaking in respect of share-based payments	-	-	263,291	263,291
At 31 December 2020	98,081,163	21,286,756	(55,068,163)	64,299,756

Balance sheet
at 31 December 2020

	Notes	2020 £	2019 £
Fixed assets			
Tangible assets	9	16,742	57,065
Investments	10	30,873,453	35,866,251
		30,890,195	35,923,316
Current assets			
Debtors	11	49,658,077	49,715,255
Cash at bank and in hand		522,605	243,201
		50,180,682	49,958,456
Creditors: amounts falling due within one year	12	(16,771,121)	(17,787,273)
Net current assets		33,409,561	32,171,183
Total assets less liabilities		64,299,756	68,094,499
Capital and reserves			
Called up equity share capital	13	98,081,163	98,081,163
Share premium account		21,286,756	21,286,756
Profit and loss account		(55,068,163)	(51,273,420)
Equity shareholders' funds		64,299,756	68,094,499

Approved by the board

Cornelis Putter
Director

28 January 2022

Notes to the financial statements
at 31 December 2020

1. Statement of compliance

MRC Transmark Holdings UK Limited is a limited liability company incorporated in England. The registered office is Heaton House, Riverside Drive, West Yorkshire, BD19 4DH.

The company's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2020.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements are prepared in sterling, which is the functional currency of the company.

The individual accounts for MRC Transmark Holdings UK Limited have adopted the reduced disclosure framework for FRS102 with the following exemptions:

- the requirement to present a statement of cash flows and related notes
- financial instrument disclosures, including:
    - categories of financial instruments
    - items of income, expenses, gains and losses relating to financial instruments, and
    - exposure to and management of financial risks
- the requirements relating to certain disclosures in respect of share based payments
- the requirements relating to certain disclosures in respect of related party transactions

Going concern

The Company participates in the group's multi-currency global asset-based revolving credit facility (the "Global ABL Facility") and shares these facilities with its parent and fellow subsidiaries. The centralised treasury arrangements entitle the company to access funds as set out in note 15 to the financial statements. A letter of support has been obtained from the ultimate parent reinforcing the rights to funding from the group treasury arrangements. In assessing the ability of the ultimate parent to support the company if needed the directors have received and reviewed a copy of the group managements going concern assessments which are produced as each set of quarterly results are released to the US market in accordance with ASC 205-40-50. The directors note that the US parent has considerable net current assets and very high levels of liquidity due to a combination of cash reserves and access to undrawn but committed facilities. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. After performing a going concern assessment for the period to 31 January 2023, the directors have a reasonable expectation that the Company and the group have adequate resources to continue in operational existence for the period to 31 January 2023. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the financial statements
at 31 December 2020

2. Accounting policies (continued)
Group financial statements
The company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the company as an individual undertaking and not about its group.

Related parties
The company operates as an international parent undertaking, providing and managing services to other group undertakings. Transactions with group undertakings are undertaken on an arm's length basis.

Tangible fixed assets
Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic life, as follows:

Plant and machinery	–	10 years straight-line
Computer hardware	–	3 years straight-line
Computer software	–	3-7 years straight-line

Investments
Investments in and amounts due from subsidiary undertakings are stated at cost less amounts written off.

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Leases
Costs in respect of operating leases are charged to the income statement on a straight line basis over the term of the lease. Lease incentives are recognised over the lease term on a straight line basis

Foreign currencies
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Interest-bearing loans and borrowings
All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in finance revenue in the income statement.

Notes to the financial statements
at 31 December 2020

2. Accounting policies (continued)

Derivative financial instruments

The company uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through the income statement. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Post-retirement benefits

The company is a participating employer in the MRC Transmark Limited defined contribution pension scheme. The assets of this scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Share-based payments

Equity-settled transactions are settled with shares issued by the ultimate parent undertaking. These are deemed to be a capital contribution to the company, which is credited to equity, with a corresponding charge to the profit and loss account, the amount of which is determined in accordance with the accounting principles set out below.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined using the Black Scholes pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each reporting date the cumulative expense recognised for equity-settled transactions reflects the extent to which the vesting period has expired and the number of shares that, in the directors' opinion, will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the profit and loss account, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value expensed in the profit and loss account.

Notes to the financial statements
at 31 December 2020

2. Accounting policies (continued)
Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

i) Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the country in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 8.

ii) Provision for impairment in subsidiary undertakings

The company recognises an impairment provision where there has been an impairment in the fair value of the subsidiary undertaking. The calculation of fair value requires management to make judgements and estimates in respect of future revenue flows & profitability of subsidiaries. Further details are contained in note 10.

An impairment has been realised in the year of £4,992,798. Changes in key assumptions used to calculate the recoverable amount would result in a change to the impairment recorded. A decrease in the discount rate of 1% would result in a reduction in the impairment of £885,552 whereas an increase in the discount rate of 1% would result in a further impairment of £464,271.

3. Operating (loss)/profit
This is stated after charging/(crediting):

		2020	*2019*
		£	£
Auditors' remuneration	- audit of the financial statements	4,400	4,400
	- tax services	500	-
Lease rentals		55,929	28,863
Foreign exchange losses/(gains)		(96,456)	1,742,033
Depreciation		39,575	99,615

Notes to the financial statements
at 31 December 2020

4. Directors' remuneration

	2020	2019
	£	£
Aggregate directors' remuneration		
Remuneration in respect of qualifying service	569,089	556,669
Company contributions to defined contribution pension scheme	18,538	12,424
In respect of the highest paid director		
Remuneration in respect of qualifying service	230,106	243,590
Company contributions to defined contribution pension scheme	-	-

	2020	2019
	No.	No.
Number of directors awarded share awards in the parent undertaking in respect of qualifying service	4	4
Number of directors who exercised share awards	-	-
Number of directors accruing benefits under defined contribution pension scheme	2	2

5. Staff costs

	2020	2019
	£	£
Wages and salaries	2,855,215	2,397,023
Social security costs	223,598	143,315
Other pension costs	92,447	77,844
	3,171,260	2,618,182

Included in wages and salaries is a total expense of share-based payments of £263,291 (2019 – £162,640) from transactions accounted for as equity-settled share based payments.

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

	2020	2019
	No.	No.
Administration	40	38

Notes to the financial statements
at 31 December 2020

6. Interest receivable and similar income

	2020	2019
	£	£
Group undertakings	2,076,094	1,933,610
Other interest	38	-
	2,076,132	1,933,610

7. Interest payable and similar charges

	2020	2019
	£	£
Group undertakings	602,600	611,217
	602,600	611,217

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2020	2019
	£	£
Current Tax:		
UK corporation tax at 19% (2019: 19%)	63,557	-
Withholding tax	-	1,039
Adjustment in respect of prior periods	-	(40,684)
Total current tax	63,557	(39,645)
Deferred Tax:		
Originating and reversal of timing differences	52,757	146,165
Adjustment in respect of prior periods	4,431	1,865
Total deferred tax	57,188	148,030
Tax on profit on ordinary activities (note 8(b))	120,745	108,385

Notes to the financial statements
at 31 December 2020

8. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19% (2019 – 19%). The differences are explained below:

	2020	*2019*
	£	*£*
(Loss)/profit on ordinary activities before taxation	(3,937,288)	(1,023,313)
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%)	(748,085)	(194,429)
Impairment of investments in subsidiary undertakings	948,631	-
Expenses not deductible for tax purposes	24,968	111,629
Income not taxable for tax purposes	-	(37,655)
Adjustments in respect of prior periods – deferred tax	4,431	1,865
Adjustments in respect of prior periods – current tax	-	(40,684)
Rate differential	(88,697)	(17,415)
Group relief surrendered / (received) for no consideration	(20,503)	284,035
Withholding tax on interest	-	1,039
Tax for the year (note 8(a))	120,745	108,385

(c) Deferred tax

The deferred tax asset at the balance sheet date is analysed below.

	2020	*2019*
	£	*£*
Deferred tax asset recognised		
At 1 January	753,928	901,957
Charged to profit and loss account	(57,188)	(148,030)
At 31 December	696,739	753,928

	2020		*2019*	
	Provided	*Not provided*	*Provided*	*Not provided*
	£	*£*	*£*	*£*
Decelerated capital allowances	696,739	-	753,928	88,697
	696,739	-	753,928	88,697

Notes to the financial statements
at 31 December 2020

8. Tax (continued)

(d) Factors that may affect future tax charges

The company has other short term timing differences of £3,667,048 (2019 - £4,434,868) available to offset against income and gains in future periods, on which a deferred tax asset of £696,739 (2019 - £753,928) has been recognised.

The standard rate of corporation tax in the United Kingdom for the year is 19% (2019 – 19%). The UK Government announced in March 2021 that the rate of corporation tax will increase to 25% from 1 April 2023, however this change had not been substantively enacted at the balance sheet date and hence has not been included in the calculation of deferred tax balances. Should the change have been enacted at the balance sheet date, the impact to deferred tax provided for would be an increase of £141,931, resulting in a deferred tax asset recognised of £838,670.

9. Tangible fixed assets

	Plant and machinery	*Computer hardware*	*Computer software*	*Total*
	£	*£*	*£*	*£*
Cost:				
At 1 January 2020	8,582	934,823	428,553	1,371,958
Additions	-	-	-	-
Disposals	-	(2,466)	(390,129)	(392,595)
At 31 December 2020	8,582	932,357	38,424	979,363
Depreciation:				
At 1 January 2020	8,582	901,112	405,199	1,314,893
Charge for the year	-	23,757	15,818	39,575
Disposals	-	(1,718)	(390,129)	(391,847)
At 31 December 2020	8,582	923,151	30,888	962,621
Net book value:				
At 31 December 2020	-	9,206	7,536	16,742
At 1 January 2020	-	33,711	23,354	57,065

Notes to the financial statements
at 31 December 2020

10. Investments

	Shares in Group undertakings £
Cost:	
At 1 January 2020	107,290,110
Additions	-
At 31 December 2020	107,290,110
Provisions:	
At 1 January 2020	71,423,859
Increase in the year	4,992,798
At 31 December 2020	76,416,657
Net book value:	
At 31 December 2020	30,873,453
At 1 January 2020	35,866,251

The Directors perform an annual review of investments held each year. The recoverable amount is estimated based on fair value less the costs to sell or a value in use calculation. Value in use is based on a discounted cash flow model.

The Directors' review at the year-end 2020 resulted in an impairment of £4,992,798. This relates to impairments in the below subsidiary undertakings:

MRC Global Australia Pty Limited
MRC Global Thailand Company Limited
MRC Global Korea Limited
MRC Global Italy SRL
MRC Global Sweden AB

During 2020, the widely publicized and discussed coronavirus (COVID-19) outbreak rapidly spread across the world, driving sharp demand destruction for oil and natural gas as whole economies shut down. The virus continued to spread during 2020, extending depressed demand, uncertainty and spending reductions by the entire oil and gas industry. The subsidiaries of the company operate in the oil and natural gas sectors. The impairment of the investment in MRC Global Australia Pty Limited is due to the impact of the reduction in sales in the territory this company operates in.

The company is in the process of closing the companies in Thailand, Korea and Sweden and therefore the investments have been impaired to the value of the recoverable assets of these businesses.

Notes to the financial statements
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10. Investments (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows (* indicates held by subsidiary undertakings).

	Country of incorporation	*Principal Activity*	*Percentage of shares held*
MRC Global (UK) Limited [1]	England	Valve distribution	100%
MRC Global (Italy) Srl [2]	Italy	Valve distribution	100%
MRC Global (New Zealand) Limited [3]	New Zealand	Valve distribution	100%
MRC Global (Korea) Limited [4]	Korea	Valve distribution	100%
MRC Global Australia Pty Limited [5]	Australia	Piping and valve distribution	100%
MRC Flangefitt Limited*[1]	England	Steel piping distribution	100%
MRC Global (Sweden) AB [6]	Sweden	Dormant	100%
MRC Global Distribution (Nigeria) Ltd [7]	Nigeria	Valve distribution	50%
MRC Global Middle East Trading LLC [8]	Abu Dhabi	Valve distribution	49%
MRC (Shanghai) Trading Co., Ltd [9]	China	Dormant	100%

All subsidiary undertakings' issued share capital comprises solely of ordinary shares. All subsidiary undertakings prepare their financial statements to a common accounting reference date of 31 December.

MRC SPF Pty Limited was closed on 13 May 2020.
MRC Global (Sweden) AB was sold on 27th December 2021.

Registered office of the companies listed above are as follows:

1. As for this company.
2. Via Gramsci 59,
   20019 Settimo Milanese MI,
   Italy
3. 40 Byron Street,
   Christchurch 8023,
   New Zealand
4. Namyang-dong 38,
   Namyeong-ro 527beon-gil,
   Jinhae-gu, Changwon-si,
   Gyeongsangnam-do
   South Korea
5. 6 Marriott Road,
   Jandakot, Perth,
   Western Australia 6164,
   Australia

Notes to the financial statements
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10. Investments (continued)

6. Bultvägen 1,
   451 75 Uddevalla,
   Sweden
7. 1 Murtala Muhammed Drive,
   Ikoyi, Lagos,
   Nigeria
8. 102, Building C-54,
   Al Nahyan Camp, Dalma Street,
   PO Box 63297,
   Abu Dhabi,
   United Arab Emirates
9. Room 3153, No. 24 Guo Dingzhi Road,
   Yangpu District,
   Shanghai,
   China

11. Debtors

	2020	*2019*
	£	*£*
Amounts due from parent undertakings	11,721,398	9,061,704
Amounts due from subsidiary undertakings	2,089,827	1,069,147
Amounts due from other group undertakings	34,958,569	38,727,623
Deferred tax asset (note 8(c))	696,739	753,928
Other taxes and social security	21,759	28,688
Prepayments and accrued income	169,785	74,165
	49,658,077	49,715,255

Amounts owed by group undertakings bear interest at market rates. No fixed repayment date has been set.

12. Creditors: amounts falling due within one year

	2020	*2019*
	£	*£*
Amounts owed to subsidiary undertakings	15,172,882	15,270,783
Amounts owed to other group undertakings	764,827	1,846,747
Trade creditors	74,317	162,173
Other taxes and social security	74,707	41,775
Accruals and deferred income	684,388	465,795
	16,771,121	17,787,273

Amounts owed to group undertakings bear interest at market rates. No fixed repayment date has been set.

Notes to the financial statements
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13. Issued share capital

		2020		*2019*
Allotted, called up and fully paid	*No.*	*£*	*No.*	*£*
Ordinary shares of £1 each	98,081,163	98,081,163	98,081,163	98,081,163

14. Share-based payments
MRC Global Inc. has made share-based awards to employees of the company under the 2007 Stock Option Plan and the 2011 Omnibus Incentive Plan (the "Plans"), which are settled with shares in MRC Global Inc.

There are no performance conditions attached to the awards and the vesting generally occurs over a three year period on the anniversaries of the date specified in the employees' respective option agreements, subject to accelerated vesting under certain conditions set out in those agreements. All options granted under the Plans have a maximum life of 10 years.

15. Contingent liabilities
In March 2012, MRC Global Inc. entered into a multi-currency global asset-based revolving credit facility (the "Global ABL Facility") that was subsequently amended and restated in July 2014, September 2017 and September 2021. The five-year Global ABL Facility, which will mature on September 03, 2026, is comprised of $750 million of total revolving credit facilities, including a $7.5 million facility in the United Kingdom. The facility contains an accordion feature that allows us to increase the total principal amount of the facilities by up to $250 million.

The company guarantees the obligations of our other non-U.S. borrower subsidiaries under the Global ABL Facility. The obligations of any of our non-U.S. borrower subsidiaries are primarily secured, subject to certain exceptions, by a first-priority security interest in the accounts receivable, inventory and related assets of the non-U.S. subsidiary and our wholly owned material U.S. subsidiaries. No non-U.S. subsidiary guarantees the U.S. tranche and no property of our non-U.S. subsidiaries secures the U.S. tranche.

The company has a separate standalone borrowing base that limits its ability to borrow under its respective tranche, provided that it may utilize excess availability under the U.S. tranche to borrow amounts in excess of their respective borrowing bases but not to exceed our applicable commitment amount or $7.5 million.

Subject to the foregoing, the company's ability to borrow under the Global ABL Facility is limited by a borrowing base equal to 85% of eligible receivables, plus the lesser of 70% of eligible inventory and 85% of appraised net orderly liquidation value of the inventory.

The company's borrowings bear interest at a benchmark rate, which varies based on the currency in which such borrowings are made, plus a margin varying between 1.25% and 1.75% based on our fixed charge coverage ratio.

At the balance sheet date, the company had a contingent obligation of US$Nil (2019 – US$Nil) in respect of borrowings by non-U.S. subsidiary undertakings under the Global ABL facility.

Notes to the financial statements
at 31 December 2020

16. Ultimate parent undertaking and controlling party

The directors regard MRC Global Inc., a company incorporated in the United States of America, as the company's ultimate parent undertaking and controlling party.

The smallest and largest group of undertakings for which group financial statements are prepared and which include the results of the company is that of MRC Global Inc. Copies of the group financial statements can be obtained from MRC Global Inc., 2 Houston Center, 909 Fannin, Suite 3100, Houston, Texas, USA.

The immediate parent undertaking is MRC Transmark Group BV, which is incorporated in The Netherlands.

17. Post balance sheet events

Other than the sale of shares in MRC Global Sweden AB as described below, there were no other significant events between the balance sheet date and the date of signing the financial statements affecting the company which require adjustment to or disclosure in the financial statements.

On 27th December 2021, the company sold all of the 50,000 shares held in MRC Global (Sweden) AB. The consideration received was 33,500 SEK equating to £2,723.