Company Registration No. 06390883

OFFSHORE GROUP NEWCASTLE LIMITED

Annual report and Financial Statements

For the year ended 30 June 2015

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OFFSHORE GROUP NEWCASTLE LIMITED

Annual report and financial statements for the year ended 30 June 2015

Contents

OFFSHORE GROUP NEWCASTLE LIMITED

Officers and professional advisors

DIRECTORS

D Clark
D A Edwards
C R Blyth
A Temerko
R D Glasspool
G H Kennedy

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Tyne & Wear
NE28 6HL

BANKERS

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Corporate Service Team
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London
SE1 9 DZ

SOLICITORS

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Norwich
NR3 1RU

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30 Crown Place
London
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EEF Ltd
EEF House
Queensway North
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Gateshead
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AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne
United Kingdom

OFFSHORE GROUP NEWCASTLE LIMITED

Strategic report

The directors are pleased to present their annual report and the audited financial statements for the year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The group's principal activities are the provision of design and engineering services, procurement, fabrication and construction of strategic assets for the UK and European oil and gas industry and the UK offshore and onshore renewable energy sector. The company is the lessee of a major yard facility based at Tyneside in the North East of England and is able to access a pool of experienced engineering and technical skills and resources.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Review of development

The business strategy of the company comprises two main strategic directions:

- EPC - engineering, procurement, fabrication, hook-up and commissioning of high quality platforms, structures and modules for the UK and European offshore oil and gas industry; and
- Renewable Energy - provision of EPC services to the UK onshore and offshore renewable energy sector and development of renewable energy assets.

The directors are pursuing each of the above strategic business directions, linked with robust governance and management structures, clear business objectives and sound internal controls.

The group's turnover for the year was £136,345,000 (2014: £115,630,000) with a pre-tax profit of £115,000 (2014: £551,000).

Turnover was higher than the prior year due to revenue earned from three major EPC contracts signed in 2013 and 2014:

- In November 2013 the group secured a major project covering finishing and commissioning works for a 249m Floating, Production, Storage and Offloading (FPSO) vessel on behalf of an independent UK oil and gas development and production company. The works were completed prior to the year end 30 June 2015 when the FPSO vessel sailed away in March 2015.
- In February 2014 the group secured a fabrication contract for a major oil group covering an 800 tonnes process module for a North Sea platform. The module was completed and sailed away in June 2015.
- Finally, in May 2014 the group secured its first export business by entering into a contract with a Norwegian contractor for the fabrication of 18 pre-assembled units (PAU) and pre-assembled racks (PAR). In total, circa 4,400 tonnes of fabricated units with individual units weighing up to 850 tonnes will be installed at an onshore gas processing plant at Nyhamna, Norway. The first five modules were completed and sailed away in April 2015 and the remaining contracted work was completed by December 2015.

The combination of these three contracts provided for a solid revenue stream for the financial year ended 30 June 2015.

The gross profit for the year was £9,673,000 (2014: £10,311,000). While turnover for the group was higher than the prior year, the gross profit performance of 7.1% was lower than the 8.9% profit recorded in the prior year. The gross profit decrease primarily reflects accounting for actual earned profit following completion of the EPC contracts in this financial year.

The group monitors in both financial and non-financial terms the performance of EPC contracts through regular progress reporting on performance against the agreed project plan, as periodically revised, project milestones and specified project cost targets all undertaken in close conjunction with each customer. Key non-financial indicators monitored on a continuous basis relate mainly to health and safety and quality issues, lost time incidents, and in combination with compliance issues for the delivery and handover of the final project to the end customer.

Strategic report (continued)

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Further, the company monitors a number of standard industry metrics in relation to project performance which are undertaken in conjunction with each customer.

Total administrative expenses of £9,378,000 for the year to 30 June 2015 were lower by £900,000 than the prior year total of £10,278,000. The decrease in other administrative expenses down to £8,911,000 (2014: £10,014,000) was due to a number of factors, including a relative increase in overhead costs which could be recognised as project costs within cost of sales. The decrease in other administrative expenses was accompanied by an onerous lease provision of £485,000 reduced by a credit £18,000 made in this year (2014: charge of £264,000).

In the current year, an onerous lease provision has been made covering a leasehold property located in Wallsend which was not in use after completion of the existing projects by 31 December 2015. The onerous lease provision for the year ended 30 June 2015 is £485,000 (2014: £nil) representing forecast costs associated with the facility up to 5 March 2016 when the current lease expired.

In both the current and prior year, an onerous lease provision has been made covering a leasehold property located in Lowestoft which the group no longer requires in support of its core operations which are centred in Newcastle. The onerous lease credit for the year ended 30 June 2015 is £18,000 (2014: a charge of £264,000) representing reduced forecast costs associated with the facility to 25 March 2018 after taking into account rental income from third party sub-lessees covering part of the premises. An objective of the directors is to find other tenants. Accordingly, the property will continue to be marketed, in particular targeting companies involved in offshore wind activities in East Anglia.

Profit before tax for the year was £115,000 (2014: £551,000). The decrease was due to the lower gross margin, lower other operating income, the increased interest expenses, the net onerous lease provision of £467,000 (2014: £264,000), partially offset by the lower administration costs.

Net group loss after tax was £25,000 (2014: net profit of £354,000).

As at 30 June 2015, the group reported net assets of £1,161,000 (2014:£1,186,000). Currently, the group is financed mainly by interest bearing loans provided by the majority shareholder. Total shareholder loans at the year end were £3,454,000 (2014: £3,373,000) which are disclosed as falling due after more than one year. The majority shareholder has confirmed in writing to the directors of the company that these loan amounts can been rolled over and extended until 30 June 2017.

Now that the group is established in the markets it operates in and its net asset position has improved, the group is currently seeking to diversify and expand its funding base to enable delivery of its agreed business strategy and to be secured from multiple sources including shareholders, commercial banks, prospective business partners and other sources. The directors are therefore confident that the necessary investment to implement the business strategy will be secured.

Future prospects

The group is involved in a range of marketing and business development activities including targeting and participating in prequalification and tender opportunities as part of the roll out and implementation of the group's agreed business strategy. The UK Oil and Gas market is currently subject to significant turbulence arising from a decline in global oil prices creating difficult operating conditions for the sector. Recognising this, in both March 2015 and March 2016, the UK government announced reduced tax rates on production and enhanced investment allowances to spur continued exploration and development.

Continued Government support for the UK North Sea sector coupled with any upside movement in global oil prices will provide the company with opportunities to bid for and secure future EPC work although the available market over the next 12 months is forecast to be extremely limited. In summary, the directors are taking a realistic approach in securing further oil and gas contracts during the next 12 months given the increasingly challenging market conditions faced by the sector. The company will continue to track and submit tenders but in response to a significantly reduced flow of project opportunities.

Strategic report (continued)

Future prospects (continued)

In contrast, the available market covering the UK offshore wind sector provides significant business opportunities for the company and the wider group for the fabrication of offshore sub-stations and jacket foundations. The company has and is actively involved in participation in the supply chain for the UK's renewable offshore wind sector covering Rounds 2.5 and 3. In January 2010, the UK's Crown Estate announced the successful bidders for Round 3 "Zone Development Agreements" covering the UK continental shelf which will take the development of up to 32GW of offshore wind through the consenting phase to deliver 32GW of offshore wind farms operating by 2020. In total the size of Round 3 is anticipated to be at least 25GW, compared to the combined total of 8GW from previously awarded Rounds 1 and 2, including Round 2.5, an extension to Round 2.

The group is seeking to leverage off its internal oil and gas capabilities for the design and build of offshore substation platforms and jacket foundations for deep water wind turbines. Critical to the roll out of Round 3 was the successful passage of the Energy Bill which passed through Parliament in 2013 and which received Royal Assent on 18 December 2013. The Act puts in place measures to attract the £110 billion investment which is needed to replace current generating capacity, including low carbon generation, to upgrade the national grid and to meet the forecast rising demand for electricity.

The company is therefore now actively engaged in pre-qualification and tendering activities to secure work in the UK offshore wind sector. Further, to enhance the competitiveness of the company's offering, the company is looking to enter into strategic partnerships or alliances with other major players in this sector. Specifically, to make available the Wallsend site located in Tyneside, related facilities, assets, personnel and know-how, to interested parties who require UK facilities to secure UK content and a UK base for offshore wind projects located in UK continental waters. In this regard, the company is in advance discussions with a prospective European partner in developing a partnering arrangement to jointly use the Wallsend site and facilities for the fabrication of offshore wind jacket foundations and as an offshore wind logistics centre.

As an extension of this arrangement, the company is also considering entering into an agreement with the same European partner covering the potential purchase of the business and assets of the company and those of its subsidiary company, OGN North Sea Limited. Such a purchase option combined with the outright purchase of the freehold of the Wallsend site which is owned by a related party and held outside of the OGN group, would provide the prospective European partner with a fully operational yard for conducting its UK offshore wind activities while providing the company with funding and optionality over future business activities including retaining an interest in offshore wind projects.

PRINCIPAL RISKS AND UNCERTAINTIES

The board is responsible to its stakeholders for the management of the company, for the protection of its assets, and for implementing an effective risk management system and internal control environment. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and consequently are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The board has a continuous process for identifying, evaluating and managing significant risks including strategy, market risk, project and business risk and financial and legal risk through its committees established for the purpose. Where practicable, the company seeks to mitigate exposure to all forms of risk through effective risk management. The management of these risks is described below.

Strategy risk

The board meets at least quarterly on a formal basis and more frequently on an informal basis to discuss future strategies for the company and consider future threats and opportunities, either on its own or in conjunction with its advisers.

Market risk

Through a series of connections with external parties at all levels within the organisation, as well as access to a number of appropriate media, the board is able to monitor the Oil and Gas, Infrastructure and Renewables markets and identify possible future projects for tender submission. The risk exists that the group bids for and enters into contracts where the overall risk profile of the customer taking into account macro and micro level factors is high relative to the ability of the group to effectively manage such risks. Accordingly, all potential projects are subject to a screening process to assess country and political risk, economic risk, counterparty risk, together with business and technical risk prior to making a decision to bid or no-bid.

Strategic report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Project and business risk

In support of successful project bids, internal operating procedures have, and are being, developed and implemented to allow effective monitoring on the progress of individual projects. Individual projects will be constantly monitored by an appointed project manager, a project board and with regular attendance and involvement of key board members. Health and safety issues are continuously addressed and monitored at all times to consider the risk to personnel working on projects and on other company activities, including assessing and minimising the impact on the environment from those projects and business activities. Risk management systems and processes are in place to identify, manage and mitigate project risk. Board meetings are held, at which project and business risk is assessed and measures are identified for subsequent follow up and implementation.

Financial and legal risk

The identification of financial risk is managed by the implementation of appropriate accounting systems and internal controls and by reporting to and monitoring by the board. Legal risk is managed through monitoring and approval of contracts by the Board in conjunction with the group's appointed external legal advisers.

Foreign currency risk

In respect of some overseas transactions, the group is exposed to movements in foreign currency exchange rates. The group monitors such exposures and implements hedging activities to minimise the impact of such exposures.

Credit risk

The group's principal financial assets are cash and trade and other debtors. The group's credit risk is primarily attributable to its trade receivables. Credit risk is managed by undertaking business and financial reviews of prospective customers, together with careful evaluation of contract terms and conditions from a commercial, operational and legal perspective prior to entering into contractual commitments.

Liquidity risk

The group actively manages its liquidity position through preparation of and regular reviews of cash flow forecasts to ensure adequate short term funding is readily available to meet current and planned business needs. Specifically, the group aims to ensure that project cash flows remain either positive or neutral over the duration of each long term contract.

GOING CONCERN

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company and its subsidiaries (together "the Group") can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of the financial statements.

As at 30 June 2015 the Group had net assets of £1,161,000 (30 June 2014: £1,186,000) and retained loss for the year ended 30 June 2015 of £25,000 (2014: profit of £354,000). As at 30 June 2015 the company had net current assets of £122,000 (2014: net current liabilities £518,000) and net liabilities of £2,505,000 (2014: 2,249,000) and is party to the cross guarantees given by each of the entities in the Group as included in note 26.

As per note 19 the net cash inflow from operating activities for the year ended 30 June 2015 was £2,789,000 (2014: cash outflow of £7,251,000). The Group's cash flow together with the levels of current assets and current liabilities can fluctuate considerably depending on the timing of receipts from customers and payments to suppliers and sub-contractors.

The directors of the company have prepared a group cash flow forecast for a period of 13 months ending 30 June 2017 ("The Forecast") which includes a number of assumptions regarding income, expenditure, cash flows and the availability of ongoing financial and operational support from its shareholders. Based on the result of The Forecast, the going concern assumption is dependent on two material matters.

Firstly, the Directors recognise that for the group to remain in operational existence and as a going concern, it is dependent on the extension of all shareholder loans, as outlined in Notes 14 and 23 to the financial statements. Accordingly, the directors are pleased to report that the majority shareholder has confirmed in writing to the directors of the company that these loan amounts can be rolled over and extended until 30 June 2017.

OFFSHORE GROUP NEWCASTLE LIMITED

Strategic report (continued)

GOING CONCERN (continued)

Secondly, the Directors recognise that for the group to remain in operational existence and as a going concern, it is dependent on securing new project work by 30 September 2016 and of a certain value and margin which will give rise to positive operating group cash flow throughout the forecast period. Similar to many businesses in this sector, the significant reduction in the price of oil over the last 18 months, has led to a large reduction in the capital investment in North Sea Oil production facilities. As such, whilst the Group continues to tender for offshore windfarm and oil and gas projects, pricing, competition and investment appetite pressures have restricted the Group from successfully engaging in new contracts since 30 June 2015. At present, the Group is engaged in closing off certain outstanding contractual matters. Once these matters are closed out, the Group has no ongoing committed or future signed contracts. In response to the significant reduction in activity, the directors have undertaken a strategic review of the business and implemented major cost reduction programs including redundancies. Therefore the Group is dependent as a going concern on successfully converting certain existing tenders into a contracted pipeline of work. This state of affairs represents a material uncertainty for the Group.

The directors therefore continue to pursue a number of business development opportunities and tenders primarily in offshore wind. While the outcome of such tenders remain unknown, the directors believe that the Group has a reasonable likelihood of securing new work in the short term at a value and margin so as to generate operating cash flow during the forecast period.

As stated previously, to enhance the competitiveness of the Group's offering in the offshore wind sector, the company and Group is looking to enter into strategic partnerships or alliances with other major players in this sector. Specifically, to make available the Wallsend site, related facilities, assets, Group personnel and know-how, to interested parties who require UK facilities to secure UK content for offshore wind projects located in UK continental waters. In this regard, the company is in advanced discussions with a prospective European partner in developing a partnering arrangement to jointly use the Wallsend site and facilities for the fabrication of offshore wind jacket foundations and as a logistics centre.

As an extension of this arrangement, the company is also considering entering into an agreement with the same European partner covering the potential purchase of the business and assets of the company and those of its subsidiary company, OGN North Sea Limited. Such a purchase option combined with the outright purchase of the freehold of the Wallsend site which is owned by a related party of the immediate parent company of the company and held outside of the OGN group, would provide the prospective European partner with a fully operational yard for conducting its UK offshore wind activities while providing the company and Group with funding and optionality over future business activities including retaining an interest in offshore wind projects.

After making enquiries the directors are committed to securing new cash generative work for the Group and in conjunction with entering into a form of business arrangement or purchase agreement with a current potential partner to enable it to meet liabilities as they fall due. Therefore, while a material uncertainty exists the directors hold the view that the Group and the company will be able to secure sufficient cash generative new work on behalf of the Group and in combination with concluding a strategic partnering deal to enable it to meet its liabilities as they fall due. As a result the directors continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board of Directors
and signed on behalf of the Board

D A Edwards

26 May 2016

OFFSHORE GROUP NEWCASTLE LIMITED

Directors' report

The directors present their annual report on the affairs of the group, together with the audited financial statements and auditor's report for the year ended 30 June 2015. The principal risks and uncertainties, financial risk, management, significant events since the year end and an indication of future developments in the business have been discussed within the Strategic Report.

DIRECTORS

The directors who served during the year and up to the date of this report were as follows:

D Clark (Chairman)
D A Edwards
C R Blyth
A Temerko
R D Glasspool
G H Kennedy

RESULTS AND DIVIDENDS

The group had net assets of £1,161,000 as at 30 June 2015 compared with a net asset position of £1,186,000 as at 30 June 2014 with retained loss for the year of £25,000 (2014: profit of £354,000).

The directors do not recommend the payment of a dividend in the current year (2014: £nil).

GOING CONCERN AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors set out in the Strategic Report:

- The reasoning for the adoption of the going concern basis in preparing the annual report and accounts for the company; and
- The financial risk management objectives and policies of the company

SUBSEQUENT EVENTS

Subsequent events are included in the going concern review in the Strategic Report and note 27 of the financial statements.

CHARITABLE DONATIONS

During the year the Group made charitable donations of £36,825 (2014: £29,942).

POLITICAL DONATIONS

During the year the company made political donations to the Conservative Party of £249,450 (2014: £80,770).

DISABLED EMPLOYEES

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

EMPLOYEE CONSULTATION

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group and the company. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Directors' report (continued)

AUDITOR

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

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

D A Edwards
Director
26th MAY 2016

Directors' responsibilities statement

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 group and 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 judgements 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 OFFSHORE GROUP NEWCASTLE LIMITED

We have audited the financial statements of Offshore Group Newcastle Limited for the year ended 30 June 2015 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2015 and of the group's 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OFFSHORE GROUP NEWCASTLE LIMITED (continued)

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. Since 30 June 2015 the Group has experienced a significant decline in activity levels and at present, the Group is engaged in closing off certain contractual matters of its only existing contract. Once those matters are completed the Group has no further contracts currently agreed with customers. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Matthew Hughes

Matthew Hughes BSc (Hons) ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Newcastle upon Tyne
United Kingdom
Date: 16 June 2016

Consolidated profit and loss account
For the year ended 30 June 2015

	Notes	2015 £'000	2014 £'000
TURNOVER	2	136,345	115,630
Cost of sales		(126,672)	(105,319)
GROSS PROFIT		9,673	10,311
Other operating income		109	554
Administrative expenses:			
Onerous lease - exceptional item	15	(467)	(264)
Other		(8,911)	(10,014)
Total administrative expenses		(9,378)	(10,278)
OPERATING PROFIT	3	404	587
Interest receivable and similar income	5	16	16
Interest payable and similar charges	6	(305)	(52)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		115	551
Tax on profit on ordinary activities	7	(140)	(197)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	17	(25)	354

All activities derive from continuing operations.

There are no recognised gains and losses other than the profit for the financial year and the preceding financial year. Accordingly, no statement of total recognised gains and losses is given.

OFFSHORE GROUP NEWCASTLE LIMITED

Consolidated balance sheet
As at 30 June 2015

	Notes	2015 £'000	2014 £'000
FIXED ASSETS			
Intangible fixed assets	9	286	385
Tangible fixed assets	10	3,050	2,491
		3,336	2,876
CURRENT ASSETS			
Stocks	11	503	981
Debtors	12		
- due within one year		11,242	19,075
- due after more than one year		232	732
Cash at bank and in hand		10,303	8,835
		22,280	29,623
CREDITORS: amounts falling due within one year	14	(18,686)	(26,334)
DEFERRED TAX LIABILITY	13	(133)	(31)
NET CURRENT ASSETS		3,461	3,258
TOTAL ASSETS LESS CURRENT LIABILITIES		6,797	6,134
CREDITORS: amounts falling after more than one year	14	(3,662)	(3,373)
PROVISION FOR LIABILITIES	15	(1,974)	(1,575)
NET ASSETS		1,161	1,186
CAPITAL AND RESERVES			
Called-up share capital	16	1,000	1,000
Share premium account	17	6,604	6,604
Profit and loss account	17	(6,443)	(6,418)
SHAREHOLDERS' FUNDS	18	1,161	1,186

The financial statements of Offshore Group Newcastle Limited, registered number 06390883, were approved by the Board of Directors and authorised for issue on 26 May 2016.

Signed on behalf of the Board of Directors

D A Edwards
Director

OFFSHORE GROUP NEWCASTLE LIMITED

Company balance sheet
As at 30 June 2015

	Notes	2015 £'000	2014 £'000
FIXED ASSETS			
Investments	8	-	-
Intangible fixed assets	9	283	383
Tangible fixed assets	10	1,029	1,259
		1,312	1,642
CURRENT ASSETS			
Debtors	12	1,593	1,412
Cash at bank and in hand		168	583
		1,761	1,995
CREDITORS: amounts falling due within one year	14	(1,593)	(2,495)
DEFERRED TAX LIABILITY	13	(46)	(18)
NET CURRENT ASSETS/(LIABILITIES)		122	(518)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,434	1,124
CREDITORS: amounts falling after more than one year	14	(3,454)	(3,373)
PROVISION FOR LIABILITIES	15	(485)	-
NET LIABILITIES		(2,505)	(2,249)
CAPITAL AND RESERVES			
Called-up share capital	16	1,000	1,000
Share premium account	17	6,604	6,604
Profit and loss account	17	(10,109)	(9,853)
SHAREHOLDERS' DEFICIT		(2,505)	(2,249)

The financial statements of Offshore Group Newcastle Limited, registered number 06390883, were approved by the Board of Directors and authorised for issue on 26 May 2016.

Signed on behalf of the Board of Directors

D A Edwards
Director

OFFSHORE GROUP NEWCASTLE LIMITED

Consolidated cash flow statement
For the year ended 30 June 2015

	Notes	2015 £'000	2014 £'000
Net cash flows from operating activities	19	2,789	(7,251)
Investments			
Purchase of tangible fixed assets		(1,232)	(1,004)
Purchase of intangible fixed assets		(11)	(84)
		(1,243)	(1,088)
Taxation			
Corporation tax paid		(143)	(642)
Returns on investments and servicing of finance			
Interest received		16	16
Interest paid		(224)	(168)
		(208)	(152)
Financing			
Finance leases and hire purchase contracts		278	-
Capital element of finance leases and hire purchase contracts		(5)	-
		273	-
Increase/(Decrease) in cash	20	1,468	(9,133)
Movement in net funds (note 20)			
Increase (Decrease) in cash in the year		1,468	(9,133)
Finance leases and hire purchase contracts		(273)	-
Movement in net funds		1,195	(9,133)
Foreign exchange variance on shareholder loans of $1,600,000 (2014: $1,600,000)		(81)	116
Net funds at 1 July 2014		5,462	14,479
Net funds at 30 June 2015	20	6,576	5,462

Notes to the financial statements
For the year ended 30 June 2015

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Accounting convention and basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with United Kingdom law and applicable accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Profit attributable to the company

The loss for the financial year dealt with in the financial statements of the parent company was £256,000 (2014: profit of £240,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company and its subsidiaries (together "the Group") can continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of the financial statements.

As at 30 June 2015 the Group had net assets of £1,161,000 (30 June 2014: £1,186,000) and retained loss for the year ended 30 June 2015 of £25,000 (2014: profit of £354,000). As at 30 June 2015 the company had net current assets of £122,000 (2014: net current liabilities £518,000) and net liabilities of £2,505,000 (2014: 2,249,000) and is party to the cross guarantees given by each of the entities in the Group as included in note 26.

As per note 19 the net cash inflow from operating activities for the year ended 30 June 2015 was £2,789,000 (2014: cash outflow of £7,251,000). The Group's cash flow together with the levels of current assets and current liabilities can fluctuate considerably depending on the timing of receipts from customers and payments to suppliers and sub-contractors.

The directors of the company have prepared a group cash flow forecast for a period of 13 months ending 30 June 2017 ("The Forecast") which includes a number of assumptions regarding income, expenditure, cash flows and the availability of ongoing financial and operational support from its shareholders. Based on the result of The Forecast, the going concern assumption is dependent on two material matters.

Firstly, the Directors recognise that for the group to remain in operational existence and as a going concern, it is dependent on the extension of all shareholder loans, as outlined in Notes 14 and 23 to the financial statements. Accordingly, the directors are pleased to report that the majority shareholder has confirmed in writing to the directors of the company that these loan amounts can be rolled over and extended until 30 June 2017.

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

Secondly, the Directors recognise that for the group to remain in operational existence and as a going concern, it is dependent on securing new project work by 30 September 2016 and of a certain value and margin which will give rise to positive operating group cash flow throughout the forecast period. Similar to many businesses in this sector, the significant reduction in the price of oil over the last 18 months, has led to a large reduction in the capital investment in North Sea Oil production facilities. As such, whilst the Group continues to tender for offshore windfarm and oil and gas projects, pricing, competition and investment appetite pressures have restricted the Group from successfully engaging in new contracts since 30 June 2015. At present, the Group is engaged in closing off certain outstanding contractual matters. Once these matters are closed out, the Group has no ongoing committed or future signed contracts. In response to the significant reduction in activity, the directors have undertaken a strategic review of the business and implemented major cost reduction programs including redundancies. Therefore the Group is dependent as a going concern on successfully converting certain existing tenders into a contracted pipeline of work. This state of affairs represents a material uncertainty for the Group.

The directors therefore continue to pursue a number of business development opportunities and tenders primarily in offshore wind. While the outcome of such tenders remain unknown, the directors believe that the Group has a reasonable likelihood of securing new work in the short term at a value and margin so as to generate operating cash flow during the forecast period.

As stated previously, to enhance the competitiveness of the Group's offering in the offshore wind sector, the company and Group is looking to enter into strategic partnerships or alliances with other major players in this sector. Specifically, to make available the Wallsend site, related facilities, assets, Group personnel and know-how, to interested parties who require UK facilities to secure UK content for offshore wind projects located in UK continental waters. In this regard, the company is in advanced discussions with a prospective European partner in developing a partnering arrangement to jointly use the Wallsend site and facilities for the fabrication of offshore wind jacket foundations and as a logistics centre.

As an extension of this arrangement, the company is also considering entering into an agreement with the same European partner covering the potential purchase of the business and assets of the company and those of its subsidiary company, OGN North Sea Limited. Such a purchase option combined with the outright purchase of the freehold of the Wallsend site which is owned by a related party of the immediate parent company of the company and held outside of the OGN group, would provide the prospective European partner with a fully operational yard for conducting its UK offshore wind activities while providing the company and Group with funding and optionality over future business activities including retaining an interest in offshore wind projects.

After making enquiries the directors are committed to securing new cash generative work for the Group and in conjunction with entering into a form of business arrangement or purchase agreement with a current potential partner to enable it to meet liabilities as they fall due. Therefore, while a material uncertainty exists the directors hold the view that the Group and the company will be able to secure sufficient cash generative new work on behalf of the Group and in combination with concluding a strategic partnering deal to enable it to meet its liabilities as they fall due. As a result the directors continue to adopt the going concern basis in preparing the financial statements.

Investments

Fixed asset investments are shown at cost less provision for impairment in value.

Intangible fixed assets

Intangible fixed assets are stated at cost or valuation, net of amortisation and any provision for impairment. Amortisation is provided on all intangible assets at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Software - 4 years

1. **ACCOUNTING POLICIES (continued)**

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Plant and machinery	- between 4-10 years
Office and IT equipment	- between 2-4 years

Leasehold improvements

Leasehold improvements are stated at cost, net of depreciation. Improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful life of the assets.

Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts, are included as long-term contract balances in stock.

Long term contracts are included in the profit and loss account by recording turnover and related profit as contract activity progresses. Profit attributable to turnover to date is included where the outcome of the contract can be foreseen with reasonable certainty. Full provision is made for anticipated losses on unprofitable contracts as soon as they are foreseen.

Long term contract work in progress is stated at net cost less foreseeable losses and progress payments received and receivable. Progress payments received and receivable in excess of costs, less foreseeable losses are included within creditors. Where foreseeable losses exceed net costs, the excess is disclosed as provision for liabilities and charges.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes labour, materials and transport. Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax assets 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 enacted or substantively enacted at the balance sheet date.

Notes to the financial statements (continued)
For the year ended 30 June 2015

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover is stated net of VAT and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Where a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total contract value. Where payments are received from customers in advance of services provided, the amounts are recorded as Payments on account and included as part of Creditors due within one year.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

Other operating income

Other operating income represents amounts receivable from operating leases and other property related services. Income is recognised on a straight line basis over the term of the lease.

Pension cost

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

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term even if the payments are not made on such a basis.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a contract rate on the carrying amount.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk. The company does not hold or issue derivative financial instruments for speculative purposes.

Government grants

Government grants are credited to the profit and loss account as the related expenditure is incurred.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. All turnover is derived from within the United Kingdom and the Groups principle activity. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due.

3. OPERATING PROFIT

Operating profit for the year is stated after charging:

	2015 £'000	2014 £'000
Fees payable to the company's auditor and their associates are as follows:		
- fees payable to the company's auditor for the audit of the company's annual financial statements pursuant to legislation	30	31
- fees payable to the company's auditor for the audit of the subsidiaries' financial statements pursuant to legislation	40	43
Total audit fees	70	74
Fees payable to the company's auditor and their associates for other services to the group:		
- tax compliance services	17	29
Total other non-audit services	17	29
Operating lease rentals		
Land and buildings	1,461	1,352
Depreciation of tangible fixed assets		
Owned	644	713
Held under finance leases and hire purchase contracts	29	-
Amortisation of intangible fixed assets		
Owned	110	156
Onerous lease – exceptional item	467	264

In the current year, an onerous lease provision has been made by covering a leasehold property located in Wallsend which were not in use after completion of the existing projects by 31 December 2015. The onerous lease provision for the year ended 30 June 2015 is £484,890 (2014: £nil) representing forecast costs associated with the facility up to 5 March 2016 when the current lease expired.

In the current year, the onerous lease provision covering a leasehold property in Lowestoft was reduced by £17,824 (2014: charge of £264,269). The onerous lease provision for the year ended 30 June 2015 is £887,754 (2014: £1,443,407) representing management's estimate of the future excess costs associated with the facility up to 25 March 2018.

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements (continued)
For the year ended 30 June 2015

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2015 £'000	2014 £'000
Directors' remuneration		
Emoluments	1,186	1,836
Company contributions to money purchase pension scheme	46	165
Compensation for loss of office	-	30
	1,232	2,031

	2015 £'000	2014 £'000
Remuneration of the highest paid director		
Emoluments	297	424
Company contributions to money purchase pension scheme	-	20
	297	444

Two of the directors of Offshore Group Newcastle Limited are members of a money purchase pension scheme (2014: three).

	2015 No.	2014 No.
Average number of persons employed (including directors)		
Management and administration	46	42
Production	756	566
	802	608

	2015 £'000	2014 £'000
Directors and staff costs		
Wages and salaries	35,818	31,426
Social security costs	3,991	3,515
Pension contributions	294	302
	40,103	35,243

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £'000	2014 £'000
Bank interest	14	14
Other interest receivable	2	2
	16	16

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'000	2014 £'000
Interest payable on loans from shareholder	161	158
Bank interest payable	55	-
Hire purchase interest payable	2	-
Other interest payable	6	10
Foreign exchange variance on shareholder loans	81	(116)
	305	52

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2015 £'000	2014 £'000
Current tax		
United Kingdom corporation tax at 20.75% (2014: 22.5%)	34	181
Adjustment in respect of previous periods	4	(1)
Total current tax	38	180
Deferred tax		
Origination and reversal of timing differences	61	17
Adjustment in respect of previous periods	43	-
Changes in tax rates	(2)	-
Tax on profit on ordinary activities	140	197

The tax assessed for the year differs from the expected charge at the standard rate of UK corporation tax of 20.75% (2014: 22.5%). The differences are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before tax	115	551
Profit on ordinary activities multiplied by the standard rate of corporation tax of 20.75% (2014: 22.5%)	24	124
Effects of:		
Expenses not deductible for tax purposes	96	76
Depreciation less than capital allowances	(61)	(19)
Utilisation of brought forward losses	(25)	-
Adjustment in respect of previous periods	4	(1)
Current tax charge for the year	38	180

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The Finance Act 2013 which was substantively enacted in June 2013 included provisions to reduce the rate of corporation tax to 21% with effect from 1 April 2014 and 20% with effect from 1 April 2015. Deferred taxation is measured at the tax rates that apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been substantively enacted at the balance sheet date. Accordingly opening and closing deferred tax balances have been calculated at 20%, the rate substantively enacted at the balance sheet dates. Finance No 2 Act 2015 which was substantively enacted on 26 October 2015 includes provisions to further reduce the corporation tax rate to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020. The Finance Bill 2016 contains provisions to further reduce the rate of corporation tax to 17% with effect from 1 April 2020. It is expected that the Finance Act 2016 will be substantively enacted in October 2016. As substantive enactment of both the Finance No2 Act and Finance Act 2016 are after the balance sheet date the future reductions to the rate of UK corporation tax have been disregarded in calculating the deferred tax position at 31 June 2015.

8. FIXED ASSET INVESTMENTS

Company	Subsidiary undertakings £'000
Cost	
At 1 July 2014 and 30 June 2015	8,549
Provision for impairment	
At 1 July 2014 and 30 June 2015	8,549
Net book value	
At 30 June 2015 and 30 June 2014	-

The following subsidiary companies are currently operating under the control of the company and are trading as going concerns. The investments in the following subsidiaries are carried at £4 as at 30 June 2015 and 30 June 2014. Subsequent to the year end, the subsidiary company Aquind Limited issued to Offshore Group Newcastle Limited 330,000 fully paid up ordinary shares. In October 2015 Offshore Group Newcastle Limited sold 100% of shares in Aquind Limited to a related party of the company's immediate parent company, OGN Investment Partners Limited.

Subsidiaries	Class of share	% owned	Country registration	Nature of business
OGN North Sea Limited	Ordinary	100	England	Design, engineering, fabrication and installation of platforms, modules and structures for oil and gas industry
OGN Property Limited	Ordinary	100	England	Hold leases and operate office and production facilities
OGN Energy Resource Services Limited	Ordinary	100	England	Provision of services of staff and agency personnel
Aquind Limited	Ordinary	100	England	Renewables – Offshore Wind

Notes to the financial statements (continued)
For the year ended 30 June 2015

9. INTANGIBLE FIXED ASSETS

Group	Software £'000
Cost	
At 1 July 2014	702
Additions	11
At 30 June 2015	713
Amortisation	
At 1 July 2014	317
Charge for the year	110
At 30 June 2015	427
Net book value	
At 30 June 2015	286
At 30 June 2014	385

Company	Software £'000
Cost	
At 1 July 2014	581
Additions	7
At 30 June 2015	588
Amortisation	
At 1 July 2014	198
Charge for the year	107
At 30 June 2015	305
Net book value	
At 30 June 2015	283
At 30 June 2014	383

10. TANGIBLE FIXED ASSETS

Group	Leasehold improvements £'000	Plant and machinery £'000	Office and IT equipment £'000	Total £'000
Cost				
At 1 July 2014	1,084	2,817	1,116	5,017
Additions	235	688	309	1,232
Disposals	-	-	(44)	(44)
At 30 June 2015	1,319	3,505	1,381	6,205
Depreciation				
At 1 July 2014	927	843	756	2,526
Charge for the year	91	364	218	673
On disposals	-	-	(44)	(44)
At 30 June 2015	1,018	1,207	930	3,155
Net book value				
At 30 June 2015	301	2,298	451	3,050
At 30 June 2014	157	1,974	360	2,491

The plant and machinery cost includes £349,341 (2014: £nil) in respect of assets which are subject to hire purchase arrangements. The accumulated depreciation of these assets is £28,530. The related depreciation charge for the year was £28,530 (2014: £nil).

Company	Leasehold improvements £'000	Plant and machinery £'000	Office and IT equipment £'000	Total £'000
Cost				
At 1 July 2014	147	1,140	579	1,866
Intercompany Transfer	-	(316)	-	(316)
Additions	234	89	52	375
At 30 June 2015	381	913	631	1,925
Depreciation				
At 1 July 2014	13	262	332	607
Charge for the year	85	92	112	289
At 30 June 2015	98	354	444	896
Net book value				
At 30 June 2015	283	559	187	1,029
At 30 June 2014	134	878	247	1,259

11. STOCKS

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Materials	118	283	-	-
Consumables and small tools	385	698	-	-
	503	981	-	-

There is no material difference between the balance sheet value of stocks and their replacement value.

12. DEBTORS

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts falling due within one year:				
Trade debtors	8,844	12,406	-	14
Amounts recoverable on long term contracts	1,269	-	-	-
Amounts owed by subsidiary undertakings	-	-	1,164	1,048
Interest accrued on amounts owed by related parties	-	-	31	30
Corporation tax	70	-	15	-
Other debtors	476	1,864	109	176
Prepayments and accrued income	583	4,805	274	144
	11,242	19,075	1,593	1,412
Amounts falling due after more than one year:				
Other debtors	232	732	-	-

Included in prepayments and accrued income is £nil (2014: £4,563,514) in respect of amounts recoverable on contracts. The aggregate amount of costs incurred plus recognised profits less recognised losses for all contracts in progress that had not reached practical completion at the reporting date was £1,269,178 (2014: £4,563,514).

13. DEFERRED TAX

The deferred tax liabilities included in the balance sheet are as follows:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Fixed assets timing differences	(133)	(31)	(46)	(18)
Amounts payable in one year	(133)	(31)	(46)	(18)

The deferred tax liability has been recognised as it is expected to be paid against forecast future taxable profits.

13. DEFERRED TAX (continued)

Group	£'000
Balance at 1 July 2014	31
Adjustment in respect of previous periods	43
Charge in current period	61
Charge in tax rates	(2)
Balance at 30 June 2015	133

Company	£'000
Balance at 1 July 2014	18
Adjustment in respect of previous periods	(11)
Charge in current period	39
Balance at 30 June 2015	46

14. CREDITORS

	Group		Company	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Net obligations under finance leases and hire purchase contracts	65	-	-	-
Trade creditors	7,483	15,743	401	477
Interest accrued on amounts owed to related parties	-	-	-	1
Amounts owed to related parties (see note 23)	737	713	737	1,633
Corporation tax	-	35	-	77
Other taxation and social security	931	1,554	46	51
Other creditors	757	785	114	76
Accruals and deferred income	8,713	7,504	295	180
	18,686	26,334	1,593	2,495
Amounts falling due after more than one year:				
Net obligations under finance leases and hire purchase contracts	208	-	-	-
Shareholder loans (see note 23)	3,454	3,373	3,454	3,373
	3,662	3,373	3,454	3,373

Interest is charged on shareholder loans at 4.0% above LIBOR. While under the strict terms of the loan agreement these loans are repayable on demand, in respect of amounts falling due after more than one year, the majority shareholder has confirmed in writing that these loan amounts can be rolled over and extended until 30 June 2017.

14. CREDITORS (continued)

Finance leases and hire purchase contracts are repayable as follows:

	Group 2015 £'000	Group 2014 £'000	Company 2015 £'000	Company 2014 £'000
Amounts falling due after more than one year:				
Between one and two years	68	-	-	-
Between two and five years	140	-	-	-
	208	-	-	-

The obligations under finance leases and hire purchase contracts are secured on the assets hired under those leases.

15. PROVISION FOR LIABILITIES

	Onerous lease provision £'000	Defects provision £'000	Redundancy provision £'000	Total £'000
Group				
At 1 July 2014	1,444	131	-	1,575
Charged to the profit and loss account	485	170	382	1,037
Released to profit and loss account	(18)	(82)	-	(100)
Utilisation of the provision	(538)	-	-	(538)
At 30 June 2015	1,373	219	382	1,974

As at 30 June 2015 the property provision of £1,373,644 (2014: £1,443,407) represents management's estimate of the future excess costs associated with the properties not fully utilised by the continuing business. The cash flows are expected to occur between 1 July 2015 and 25 March 2018.

As at 30 June 2015 the group had a provision of £219,576 (2014: £131,275) for potential rectification of minor defects in relation to completed EPC contracts, none of which has been utilised. The group's obligation is for a period of up to 24 months from completion and it is not known if any costs will materialise during that period.

The group has made a provision of £382,253 for statutory redundancy pay and severance pay under the yard agreement payable to employees of the group in relation to the EPC contract completed during the year and the EPC contract completed post year end. The cash flows occurred between 1 July 2015 and 31 December 2015.

15. PROVISION FOR LIABILITIES (continued)

Company	Onerous lease provision £'000
At 1 July 2014	-
Charged to the profit and loss account	485
At 30 June 2015	485

As at 30 June 2015 the property provision of £484,890 (2014: £nil) represents management's estimate of the future excess costs associated with the property not fully utilised by the continuing business. The cash flows occurred between 14 December 2015 and 31 March 2016.

16. CALLED-UP SHARE CAPITAL

	2015 £'000	2014 £'000
Allotted, called-up and fully paid		
874,997 'A' ordinary shares of £1 each	875	875
75,000 'B' ordinary shares of £1 each	75	75
50,000 'C' ordinary shares of £1 each	50	50
	1,000	1,000

The 'A' shares, 'B' shares and 'C' shares rank pari passu in all respects save that, as between the 'A' shares and the 'B' shares (and irrespective of the number of such 'A' shares and 'B' shares in issue):

The 'B' shares shall be entitled to 7.5% and the 'A' shares to 92.5% of the aggregate voting rights attaching to all the 'A' shares and 'B' shares.

The 'B' shares shall be entitled to 7.5% and the 'A' shares to 92.5% of the aggregate dividend rights attaching to all the 'A' shares and 'B' shares.

The 'B' shares shall be entitled to 7.5% and the 'A' shares to 92.5% of the surplus assets (after payment of the company's liabilities) of the company available in aggregate in respect of the 'A' shares and the 'B' shares on a return of capital on liquidation or otherwise of the company.

In the event of the sale of shares in the company or shares in the company coming to be traded on any stock exchange the 'B' shares shall be entitled to 7.5% and the 'A' shares to 92.5% of the value attributable in aggregate to the 'A' shares and the 'B' shares and such reorganisation shall if necessary be carried out so as to ensure that effect is given to this provision, and upon the issue of any unclassified share, the directors shall determine that it is issued as an 'A' share, a 'B' share or a 'C' share.

17. RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
Group			
At 1 July 2014	6,604	(6,418)	186
Loss for the financial year	-	(25)	(25)
At 30 June 2015	6,604	(6,443)	161

Notes to the financial statements (continued)
For the year ended 30 June 2015

17. RESERVES (continued)

	Share premium account £'000	Profit and loss account £'000	Total £'000
Company			
At 1 July 2014	6,604	(9,853)	(3,249)
Loss for the financial year	-	(256)	(256)
At 30 June 2015	6,604	(10,109)	(3,505)

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group	2015 £'000	2014 £'000
(Loss)/profit for the financial year	(25)	354
Opening shareholders' funds	1,186	832
Closing shareholders' funds	1,161	1,186

Company	2015 £'000	2014 £'000
(Loss)/profit for the financial year	(256)	240
Opening shareholders' deficit	(2,249)	(2,489)
Closing shareholders' deficit	(2,505)	(2,249)

19. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2015 £'000	2014 £'000
Operating profit	404	587
Increase/(decrease) in provisions	399	(76)
Depreciation of equipment	673	713
Amortisation of software	110	156
Decrease/(increase) in stocks	478	(547)
Decrease/(increase) in debtors	8,333	(6,554)
Decrease in creditors (excluding shareholder loan and corporation tax/ deferred tax)	(7,608)	(1,530)
Net cash from operating activities	2,789	(7,251)

Notes to the financial statements (continued)
For the year ended 30 June 2015

20. ANALYSIS AND RECONCILIATION OF NET FUNDS

	At 1 July 2014 £'000	Cash flow £'000	Foreign exchange variance £'000	At 30 June 2015 £'000
Cash at bank and in hand	8,835	1,468	-	10,303
Loans from shareholder	(3,373)	-	(81)	(3,454)
Finance leases and hire purchase contracts	-	(273)	-	(273)
Net funds	5,462	1,195	(81)	6,576

21. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2015 £'000	Land and buildings 2014 £'000
Group		
Expiry date:		
Within one year	876	1,159
Between two and five years	193	193
	1,069	1,352
Company		
Expiry date:		
Within one year	876	950

22. PENSION COSTS

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The pension costs charge represents contributions payable by the group and amounted to £294,011 (2014: £301,798). Contributions totalling £19,175 (2014: £63,445) were payable to the fund at the balance sheet date and are included in other creditors.

23. RELATED PARTY TRANSACTIONS

In accordance with FRS8, "Related Party Transactions", the company has taken advantage of the exemption available not to disclose transactions between group undertakings where all of the voting rights are controlled within the group and the consolidated financial statements, in which the results of Offshore Group Newcastle Limited are included, are publicly available.

Notes to the financial statements (continued)
For the year ended 30 June 2015

23. RELATED PARTY TRANSACTIONS (continued)

Amounts loaned from related parties:

Related party	Loan value £	Balance at 30 June 2015 £	Loan value £	Balance at 30 June 2014 £
OGN Investment Partners Limited:				
Amounts falling due within one year	-	-	-	-
Amounts falling due after more than one year	3,453,939	3,453,939	3,372,980	3,372,980
	3,453,939	3,453,939	3,372,980	3,372,980

Interest paid on amounts loaned from related parties:

Related party	2015 £	2014 £
OGN Investment Partners Limited	161,005	157,610

Interest was charged on the loans from OGN Investment Partners Limited at 4% above LIBOR. Interest of £nil (2014: £nil) was outstanding as at the balance sheet date.

During the year Offshore Group Newcastle Limited accrued expenses for the rental of Hadrian Yard (Wallsend, Tyne & Wear) from Hadrian Industrial Holdings Limited, a 100% subsidiary of OGN Investment Partners Limited, the company's immediate parent undertaking, for a total of £1,059,219 (2014: £950,000). As at 30 June 2015, £736,719 (2014: £712,500) was outstanding which is included in related party creditors.

Christopher R Blyth, who is a Director of Offshore Group Newcastle Limited, controls Associated Industrial Management (AIM) and Industry Resource Services Limited (IRS). During the year AIM provided payroll services to the group which amounted to £18,960 (2014: £18,875). As at 30 June 2015, £2,190 was outstanding and payable within a month (2014: £nil). During the year IRS provided services of agency personnel to the group which amounted to £18,314,651 (2014: £10,143,250). As at 30 June 2015, £687.811 was outstanding and payable within a month (2014: £1,598,567). The outstanding amount was included in trade creditors. No interest is charged on this amount.

24. FORWARD CURRENCY CONTRACTS

The group enters into forward foreign currency contracts to manage foreign currency risk that arises on the payment for raw materials denominated in Euros and the shareholder loans denominated in US Dollars. As at 30 June 2015 the group was contracted to buy €nil (2014: €300,000) and $nil (2014: $300,000). As at 30 June 2015 the valuation of forward foreign currency contracts at fair value would result in a loss of £nil (2014: £10,640).

25. ULTIMATE PARENT COMPANY

The company's immediate parent undertaking is OGN Investment Partners Limited which is incorporated in the British Virgin Islands. OGN Investment Partners Limited is the majority shareholder in the company in the nature of an investment vehicle and which undertakes no direct management or control over the day to day operating activities of the company.

The ultimate controlling party is Equity Trust (BVI) Limited, a company incorporated in the British Virgin Islands and now comprising part of the TMF Group.

The consolidated financial statements of this group are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

26. CONTINGENT LIABILITIES

The Company has issued and is in receipt of cross guarantee letters in respect of its 100% owned subsidiary companies, OGN North Sea Limited, OGN Energy Resource Services Limited and OGN Property Limited. The cross guarantee letters set out that to the extent possible, funding support will be provided across and between each company.

In the previous year, in conjunction with the group's bankers, the company issued a performance bond of £1,193,573 to a client in support of a contract.

In October 2014 in conjunction with the group's bankers and the UK Export Finance, a subsidiary company issued a performance bond of £3,300,000 to a client in support of an export contract. From the issue of the completion certificate the amount is reduced to £1,650,000. The performance bond is effective up to the end of the guarantee and warranty periods. The performance bond expires in October 2019. The performance bond is partially guaranteed by a cash deposit held by the subsidiary company.

27. SUBSEQUENT EVENTS

Subsequent to the year end, in July 2015 upon issuance of the provisional completion certificate the amount of the performance bond was reduced from £1,193,573 to £596,787. The performance bond is effective up to the end of the guarantee and warranty periods. The performance bond expires in July 2017. The performance bond is fully guaranteed by a cash deposit held by a subsidiary company.

In September 2015 the subsidiary company Aquind Limited issued to Offshore Group Newcastle Limited 330,000 fully paid up ordinary shares. In October 2015 Offshore Group Newcastle Limited sold 100% of shares in Aquind Limited to a related party of the company's immediate parent company, OGN Investment Partners Limited.

By February 2016 all production employees of the group had been made redundant.

Subsequent to the year end, in April 2016 upon issuance of the completion certificate the amount of the second performance bond was reduced from £3,300,000 to £1,650,000.