

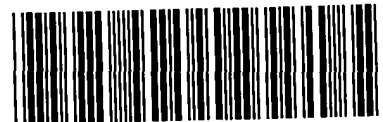
Company Registration No. 6390883

**OFFSHORE GROUP NEWCASTLE
LIMITED**

Annual report and Financial Statements

For the year ended 30 June 2014

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OFFSHORE GROUP NEWCASTLE LIMITED

Annual report and financial statements for the year ended 30 June 2014

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OFFSHORE GROUP NEWCASTLE LIMITED

Annual report and financial statements for the year ended 30 June 2014

Officers and professional advisers

DIRECTORS

D Clark
D A Edwards
C R Blyth
A V Temerko
R D Glasspool
C M Melville (resigned 9 April 2014)
G H Kennedy

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OFFSHORE GROUP NEWCASTLE LIMITED

Annual report and financial statements for the year ended 30 June 2014

Officers and professional advisers (continued)

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 2014.

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 has now successfully implemented SAP accounting and management reporting systems providing a recognised international platform to assist with the group's future development.

The group's turnover for the year was £115,630,000 (2013: £99,134,000) with a pre-tax profit of £551,000 (2013: £2,870,000).

Turnover was higher than the prior year due to revenue earned from a major EPC contract signed in the previous financial year combined with three new contracts signed in the current financial year:

- In June 2014 the company completed an EPC project for a 5,745te jacket structure which was loaded out and sailed away from the company's Hadrian Yard for installation in the North Sea.
- In November 2013 the company 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.
- In February 2014 the company secured a fabrication contract for a major oil group covering an 800te process module for a North Sea platform.
- Finally, in May 2014 the company secured its first export business by signing a contract with a Norwegian contractor for the fabrication of 18 pre-assembled units (PAU) and pre-assembled racks (PAR). In total, circa 4,400te of fabricated units with individual units weighing up to 850 tonnes will be installed at an onshore gas plant at Nyhamna, Norway.

The combination of these latter three contract awards provide for a solid order book and revenue stream for the financial year ending 30 June 2015.

The gross profit for the year was £10,311,000 (2013: £13,231,000). While turnover for the group was higher than the prior year the gross profit performance of 8.9% was lower than the 13.3% profit recorded in the prior year. The gross profit decrease primarily reflects accounting for actual earned profit following completion of the EPC contract in this financial year and recognition of certain incentive amounts following completion of another long-term EPC project in the previous year. The group takes a prudent approach on recognition of profit on recently awarded contracts.

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.

OFFSHORE GROUP NEWCASTLE LIMITED

Strategic report (continued)

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Total administrative expenses of £10,278,000 for the year to 30 June 2014 were higher by £6,000 than the prior year total of £10,272,000. The increase in other administrative expenses up to £10,014,000 (2013: £8,779,000) was due to a number of factors, including a relative reduction in overhead costs which could be recognised as project costs within cost of sales, and a general increase in corporate activity levels, in particular in terms of marketing, business and corporate development. The increase in other administrative expenses was offset by a lower onerous lease provision charge made in this year.

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 charge for the year ended 30 June 2014 is £264,000 (2013: £1,493,000) representing forecast costs associated with the facility to 25 March 2018 after taking into account likely rental income from third party sub-lessees for part of the premises. An objective of the directors is to find other potential 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 £551,000 (2013: £2,870,000). The decrease was due to the performance of the group at the gross margin level and to some extent by higher administration costs partially offset by higher other operating income, lower interest expenses and the lower onerous lease provision of £264,000 (2013: £1,493,000).

Net group profit after tax decreased to £354,000 from the prior year figure of £2,094,000.

As at 30 June 2014, the group reported net assets of £1,186,000 (2013: net assets of £832,000). Currently, the group is financed exclusively by loans provided by the majority shareholder. Total shareholder loans at the year end were £3,373,000 (2013: £3,489,000) which are disclosed as falling due after more than one year because the majority shareholder has confirmed in writing to the directors of the company that these loan amounts had been rolled over and extended and will not be due for repayment until 31 December 2015 at the earliest.

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 its agreed business strategy. The UK oil and gas market is considered reasonably buoyant at present although recent reductions in world crude oil prices may have an adverse impact on sanctioning major development projects in the North Sea. However, the offshore UK oil and gas market is sensitive to the UK Government's position on taxation for the sector. Further, where a previous 2011 announcement to increase the tax rate on oil production did not help in the clarity for timing of planned investments by a number of operators, in September 2012, HM Treasury announced action to stimulate new investment in older oil and gas fields in the North Sea by way of a tax allowance for certain mature fields to shield a portion of income from a supplementary tax charge.

Ongoing Government support for encouraging further exploration and development of the UK North Sea continues and this will provide the company with opportunities to bid for and secure future EPC work.

The directors are therefore optimistic of securing further oil and gas contracts during the next 12 months to build on the success of securing and delivering on the recently completed EPC contract for a jacket structure and securing three further contracts during the financial year to 30 June 2014.

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.

OFFSHORE GROUP NEWCASTLE LIMITED

Strategic report (continued)

Future prospects (continued)

In June 2013, Aquind Limited (a wholly owned subsidiary) was awarded a grant of £4,500,000 from the Regional Growth Fund (RGF) by the Secretary of State for Business, Innovation and Skills under Section 7 of the Industrial Development Act, 1982. The grant was to be used in support of financing for the construction of a major fabrication facility at Hadrian yard, Wallsend for the mass manufacture of offshore wind jacket structures for the UK and North European markets. The construction of the fabrication facility was postponed due to delays and uncertainties relating to the market for offshore wind in the UK and Europe. In January 2014, in view of the lack of feasibility of using the grant in the established timeframe in 2014 and 2015, the company agreed with BIS to withdraw from the grant offer. As at 30 June 2014, no funding amounts had been drawn down from the grant.

PRINCIPAL RISKS AND UNCERTAINTIES

The board is responsible to its stakeholders for the management of the company, the protection of its assets, and implementing a system of internal control and reviewing its effectiveness. 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.

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.

OFFSHORE GROUP NEWCASTLE LIMITED

Strategic report (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

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 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.

There was continued improvement in the group's financial position in the year. The group had net assets of £1,186,000 as at 30 June 2014 compared with a net assets position of £832,000 as at 30 June 2013 with retained profits for the year of £354,000 (2013: £2,094,000). The company had net current liabilities of £518,000 (2013: £190,000) and net liabilities of £2,249,000 (2013: £2,489,000) and is party to the cross guarantees given by each of the entities in the group and included in note 26.

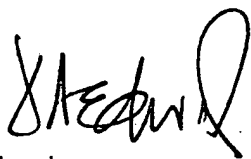
As per note 19 the net cash flow from operating activities was negative £7,251,000 (2013: positive cash flow of £2,915,000) mainly due to increase in debtors £6,554,000 (2013: decrease in debtors £4,306,000). The group's cash flow together with the levels of current assets and current liabilities can fluctuate considerably depending on the timing of receipts from customers and payments to suppliers and sub-contractors. Shortly after the year end, in the first week of July 2014 the group received one payment from a customer totalling £8,406,000.

The directors of the company have prepared a group budget and cash flow forecast for a period of 15 months ending 31 December 2015 ("The Forecast") which includes a number of assumptions and an amount of uncertainty regarding income, expenditure, cash flows and the availability of ongoing financial and operational support from its shareholders. The Forecast indicates that the group will continue to be profitable and cash positive during the period. However, at this time, 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 will be rolled over and extended and will not be due for repayment until 31 December 2015 at the earliest.

The Directors remain confident of securing additional EPC oil and gas projects and renewable projects for wind turbine jackets and offshore substations during 2015, which will generate incremental revenue and net positive cash flow for the group.

After making enquiries the directors are therefore confident that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they 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
Director

OFFSHORE GROUP NEWCASTLE LIMITED

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report for the year ended 30 June 2014. 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 V Temerko
R D Glasspool
C M Melville
G H Kennedy

RESULTS AND DIVIDENDS

There was continued improvement in the group's financial position in the year. The group had net assets of £1,186,000 as at 30 June 2014 compared with a net asset position of £832,000 as at 30 June 2013 with retained profits for the year of £354,000 (2013: £2,094,000).

The directors do not recommend the payment of a dividend in the current year (2013: £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

CHARITABLE DONATIONS

During the year the Group made charitable donations of £29,942 (2013: £14,510).

POLITICAL DONATIONS

During the year the company made political donations to the Conservative Party of £80,770 (2013: £139,655).

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.

OFFSHORE GROUP NEWCASTLE LIMITED

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

23/12/ 2014

OFFSHORE GROUP NEWCASTLE LIMITED

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 2014 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 2014 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)

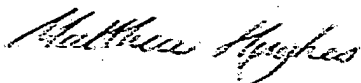
Opinion on other matter prescribed by the Companies Act 2006

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 BSc (Hons) ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor

Newcastle upon Tyne

United Kingdom

Date: 23 December 2014

OFFSHORE GROUP NEWCASTLE LIMITED

Consolidated profit and loss account For the year ended 30 June 2014

	Notes	2014 £'000	2013 £'000
TURNOVER	2	115,630	99,134
Cost of sales		(105,319)	(85,903)
GROSS PROFIT		10,311	13,231
Other operating income		554	208
Administrative expenses:			
Onerous lease - exceptional item	15	(264)	(1,493)
Other		(10,014)	(8,779)
Total administrative expenses		(10,278)	(10,272)
OPERATING PROFIT	3	587	3,167
Interest receivable and similar income	5	16	36
Interest payable and similar charges	6	(52)	(333)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		551	2,870
Tax on profit on ordinary activities	7	(197)	(776)
PROFIT FOR THE FINANCIAL YEAR	17	354	2,094

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.

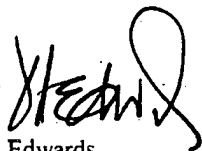
OFFSHORE GROUP NEWCASTLE LIMITED

Consolidated balance sheet As at 30 June 2014

	Notes	2014 £'000	2013 £'000
FIXED ASSETS			
Intangible assets	9	385	457
Tangible assets	10	2,491	2,200
		<u>2,876</u>	<u>2,657</u>
CURRENT ASSETS			
Stocks	11	981	434
Debtors	12		
- due within one year		19,075	12,000
- due after more than one year		732	1,253
Cash at bank and in hand		8,835	17,968
		<u>29,623</u>	<u>31,655</u>
CREDITORS: amounts falling due within one year	14	<u>(26,365)</u>	<u>(28,340)</u>
NET CURRENT ASSETS		<u>3,258</u>	<u>3,315</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,134</u>	<u>5,972</u>
CREDITORS: amounts falling after more than one year	14	<u>(3,373)</u>	<u>(3,489)</u>
PROVISION FOR LIABILITIES	15	<u>(1,575)</u>	<u>(1,651)</u>
NET ASSETS		<u>1,186</u>	<u>832</u>
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	<u>(6,418)</u>	<u>(6,772)</u>
SHAREHOLDERS' FUNDS	18	<u>1,186</u>	<u>832</u>

The financial statements of Offshore Group Newcastle Limited, registered number 6390883, were approved by the Board of Directors and authorised for issue on 23/12/2014.

Signed on behalf of the Board of Directors


David Edwards
Director

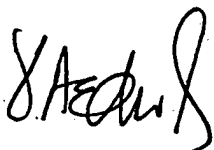
OFFSHORE GROUP NEWCASTLE LIMITED

Company balance sheet As at 30 June 2014

	Notes	2014 £'000	2013 £'000
FIXED ASSETS			
Investments	8	-	-
Intangible assets	9	383	423
Tangible assets	10	1,259	767
		<u>1,642</u>	<u>1,190</u>
CURRENT ASSETS			
Debtors	12	1,412	1,722
Cash at bank and in hand		583	134
		<u>1,995</u>	<u>1,856</u>
CREDITORS: amounts falling due within one year	14	<u>(2,513)</u>	<u>(2,046)</u>
NET CURRENT LIABILITIES		<u>(518)</u>	<u>(190)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,124</u>	<u>1,000</u>
CREDITORS: amounts falling after more than one year	14	<u>(3,373)</u>	<u>(3,489)</u>
NET LIABILITIES		<u>(2,249)</u>	<u>(2,489)</u>
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	(9,853)	(10,093)
SHAREHOLDERS' DEFICIT		<u>(2,249)</u>	<u>(2,489)</u>

The financial statements of Offshore Group Newcastle Limited, registered number 6390883, were approved by the Board of Directors and authorised for issue on 23/12/2014.

Signed on behalf of the Board of Directors



David Edwards
Director

OFFSHORE GROUP NEWCASTLE LIMITED

Consolidated cash flow statement For the year ended 30 June 2014

	Notes	2014 £'000	2013 £'000
Net cash flows from operating activities	19	(7,251)	2,915
Investments			
Purchase of tangible fixed assets		(1,004)	(232)
Purchase of intangible fixed assets		(84)	(390)
		(1,088)	(622)
Taxation			
Corporation tax paid		(642)	(331)
Returns on investments and servicing of finance			
Interest received		16	36
Interest paid		(168)	(377)
		(152)	(341)
Financing			
Repayment of loan from shareholder		-	(3,948)
		-	(3,948)
Decrease in cash	20	(9,133)	(2,327)
Movement in net funds (note 20)			
Decrease in cash in the year		(9,133)	(2,327)
Shareholder loan paid		-	3,948
Movement in net funds		(9,133)	1,621
Foreign exchange variance on shareholder loans of \$1,600,000 (2013: \$1,600,000)		116	(44)
Net funds at 1 July 2013		14,479	12,902
Net funds at 30 June 2014	20	5,462	14,479

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

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 profit for the financial year dealt with in the financial statements of the parent company was £240,000 (2013: loss of £101,000). 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 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.

There was continued improvement in the group's financial position in the year. The group had net assets of £1,186,000 as at 30 June 2014 compared with a net assets position of £832,000 as at 30 June 2013 with retained profits for the year of £354,000 (2013: £2,094,000). The company had net current liabilities of £518,000 (2013: £190,000) and net liabilities of £2,249,000 (2013: £2,489,000) and is party to the cross guarantees given by each of the entities in the group and included in note 26.

As per note 19 the net cash flow from operating activities was negative £7,251,000 (2013: positive cash flow of £2,915,000) mainly due to increase in debtors £6,554,000 (2013: decrease in debtors £4,306,000). 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. Shortly after the year end, in the first week of July 2014 the group received one payment from a customer totalling £8,406,000.

The directors of the company have prepared a group budget and cash flow forecast for a period of 15 months ending 31 December 2015 ("The Forecast") which includes a number of assumptions and an amount of uncertainty regarding income, expenditure, cash flows and the availability of ongoing financial and operational support from its shareholders. The Forecast indicates that the group will continue to be profitable and cash positive during the period. However, at this time, 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 will be rolled over and extended and will not be due for repayment until 31 December 2015 at the earliest.

The Directors remain confident of securing additional EPC oil and gas projects and renewable projects for wind turbine jackets and offshore substations during 2015, which will generate incremental revenue and net positive cash flow for the group.

After making enquiries the directors are therefore confident that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they 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.

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements

For the year ended 30 June 2014 (continued)

1. ACCOUNTING POLICIES (continued)

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

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.

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:

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

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

1. ACCOUNTING POLICIES (continued)

Taxation

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.

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.

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

1. ACCOUNTING POLICIES (continued)

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.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedge item and must also reduce the risk of foreign currency exchange movements on the company's operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account only when the hedged transaction has itself been reflected in the company's financial statements.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

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:

	2014 £'000	2013 £'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	31	31
- fees payable to the company's auditor for the audit of the subsidiaries' financial statements pursuant to legislation	43	43
Total audit fees	74	74
Fees payable to the company's auditor and their associates for other services to the group:		
- tax compliance services	29	13
- due diligence in respect of RGF award	-	25
Total other non-audit services	29	38
Operating lease rentals		
Land and buildings	1,352	1,415
Depreciation of tangible fixed assets		
Owned	713	852
Amortisation of intangible fixed assets		
Owned	156	115

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2014 £'000	2013 £'000
Directors' remuneration		
Emoluments	1,836	1,250
Company contributions to money purchase pension scheme	165	163
Compensation for loss of office	30	-
	<u>2,031</u>	<u>1,413</u>
Remuneration of the highest paid director		
Emoluments	424	319
Company contributions to money purchase pension scheme	20	25
	<u>444</u>	<u>344</u>

Three of the directors of Offshore Group Newcastle Limited are members of a money purchase pension scheme (2013: three).

	2014 No.	2013 No.
Average number of persons employed (including directors)		
Management and administration	42	32
Production	566	366
	<u>608</u>	<u>398</u>

	2014 £'000	2013 £'000
Directors and staff costs		
Wages and salaries	31,426	19,079
Social security costs	3,515	2,186
Pension contributions	302	215
	<u>35,243</u>	<u>21,480</u>

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2014 £'000	2013 £'000
Bank interest	14	36
Other interest receivable	2	-
	<u>16</u>	<u>36</u>

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2014 £'000	2013 £'000
Interest payable on loans from shareholder	158	283
Other interest payable	10	6
Foreign exchange variance on shareholder loans	(116)	44
	<u>52</u>	<u>333</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2014 £'000	2013 £'000
Current tax		
United Kingdom corporation tax at 22.5% (2013: 23.75%)	181	777
Adjustment in respect of previous periods	(1)	-
Total current tax	<u>180</u>	<u>777</u>
Deferred tax		
Origination and reversal of timing differences	17	(1)
Tax on profit on ordinary activities	<u>197</u>	<u>776</u>

The tax assessed for the year differs from the expected charge at the standard rate of UK corporation tax of 22.5% (2013: 23.75%). The differences are explained below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	<u>551</u>	<u>2,870</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 22.5% (2013: 23.75%)	124	682
Effects of:		
Expenses not deductible for tax purposes	76	98
Depreciation less than capital allowances	(19)	60
Utilisation of brought forward losses	-	(63)
Adjustment in respect of previous periods	(1)	-
Current tax charge for the year	<u>180</u>	<u>777</u>

In March 2012, the UK Government announced a reduction in the standard rate of UK corporation tax to 24% effective 1 April 2012 and to 23% effective 1 April 2013. These rate reductions became substantively enacted in March 2012 and July 2012 respectively.

In December 2012, the UK Government also proposed to further reduce the standard rate of UK corporation tax to 21% effective 1 April 2014, but this change has not been substantively enacted.

In March 2013, the UK Government also proposed to further reduce the standard rate of UK corporation tax to 20% effective 1 April 2015, but this change has not been substantively enacted.

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

8. FIXED ASSET INVESTMENTS

Company	Subsidiary undertakings £'000
Cost	
At 1 July 2013 and 30 June 2014	8,549
Provision for impairment	
At 1 July 2013 and 30 June 2014	8,549
Net book value	
At 30 June 2014 and 30 June 2013	-

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 2014 and 30 June 2013.

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

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

9. INTANGIBLE FIXED ASSETS

Group	Software £'000
Cost	
At 1 July 2013	618
Additions	84
	<hr/>
At 30 June 2014	702
	<hr/>
Depreciation	
At 1 July 2013	161
Charge for the year	156
	<hr/>
At 30 June 2014	317
	<hr/>
Net book value	
At 30 June 2014	385
	<hr/>
At 30 June 2013	457
	<hr/>
Company	Software £'000
Cost	
At 1 July 2013	497
Additions	84
	<hr/>
At 30 June 2014	581
	<hr/>
Depreciation	
At 1 July 2013	74
Charge for the year	124
	<hr/>
At 30 June 2014	198
	<hr/>
Net book value	
At 30 June 2014	383
	<hr/>
At 30 June 2013	423
	<hr/>

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

10. TANGIBLE FIXED ASSETS

Group	Leasehold improvements £'000	Plant and machinery £'000	Office and IT equipment £'000	Total £'000
Cost				
At 1 July 2013	926	2,286	801	4,013
Additions	158	531	315	1,004
At 30 June 2014	1,084	2,817	1,116	5,017
Depreciation				
At 1 July 2013	671	560	582	1,813
Charge for the year	256	283	174	713
At 30 June 2014	927	843	756	2,526
Net book value				
At 30 June 2014	157	1,974	360	2,491
At 30 June 2013	255	1,726	219	2,200

Company	Leasehold improvements £'000	Plant and machinery £'000	Office and IT equipment £'000	Total £'000
Cost				
At 1 July 2013	13	755	386	1,154
Additions	134	385	193	712
At 30 June 2014	147	1,140	579	1,866
Depreciation				
At 1 July 2013	1	179	207	387
Charge for the year	12	83	125	220
At 30 June 2014	13	262	332	607
Net book value				
At 30 June 2014	134	878	247	1,259
At 30 June 2013	12	576	179	767

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

11. STOCKS

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Materials	283	-	-	-
Consumables and small tools	698	434	-	-
	<u>981</u>	<u>434</u>	<u>-</u>	<u>-</u>

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

12. DEBTORS

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	12,406	6,905	14	12
Amounts owed by subsidiary undertakings	-	-	1,048	1,063
Interest accrued on amounts owed by related parties	-	-	30	31
Other debtors	1,864	3,187	176	136
Prepayments and amounts recoverable on contracts	4,805	1,908	144	480
	<u>19,075</u>	<u>12,000</u>	<u>1,412</u>	<u>1,722</u>
Amounts falling due after more than one year:				
Other debtors	732	1,253	-	-
	<u>732</u>	<u>1,253</u>	<u>-</u>	<u>-</u>

13. DEFERRED TAX

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

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Fixed assets timing differences	(31)	(15)	(18)	(20)
Excess management expenses	-	1	-	1
	<u>(31)</u>	<u>(14)</u>	<u>(18)</u>	<u>(19)</u>
Amounts payable in one year	<u>(31)</u>	<u>(14)</u>	<u>(18)</u>	<u>(19)</u>

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

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

13. DEFERRED TAX (continued)

Group	£'000
Balance at 1 July 2013	(14)
Utilisation	(17)
Balance at 30 June 2014	(31)
	£'000
Company	
Balance at 1 July 2013	(19)
Utilisation	1
Balance at 30 June 2014	(18)

14. CREDITORS

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Payments received on account	-	7,030	-	-
Trade creditors	15,743	9,364	477	469
Interest accrued on amounts owed to related parties	-	-	1	-
Amounts owed to related parties (see note 23)	713	950	1,633	287
Corporation tax	35	497	77	-
Deferred tax (see note 13)	31	14	18	19
Other taxation and social security	1,554	446	51	50
Other creditors	785	425	76	127
Accruals and deferred income	7,504	9,614	180	1,094
	<u>26,365</u>	<u>28,340</u>	<u>2,513</u>	<u>2,046</u>
Amounts falling due after more than one year:				
Shareholder loans (see note 23)	<u>3,373</u>	<u>3,489</u>	<u>3,373</u>	<u>3,489</u>

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 the loan maturity date is 31 December 2015.

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

15. PROVISION FOR LIABILITIES

	Group £'000	Company £'000
At 1 July 2013	1,651	-
Charged to the profit and loss account	324	-
Released to the profit and loss account	(86)	-
Utilisation of the provision	(314)	-
	<hr/>	<hr/>
At 30 June 2014	1,575	-
	<hr/>	<hr/>

As at 30 June 2014 the property provision of £1,443,407 (2013: £1,493,459) represents management's estimate of the future excess costs associated with the property not fully utilised by the continuing business. The cash flows are expected to occur between 1 July 2013 and 25 March 2018.

As at 30 June 2014 the company had a provision of £131,275 (2013: £157,418) for potential rectification of minor defects in relation to completed EPC contracts, none of which has been utilised. The company'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.

16. CALLED-UP SHARE CAPITAL

	2014 £'000	2013 £'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
	<hr/>	<hr/>
	1,000	1,000
	<hr/>	<hr/>

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.

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

17. RESERVES

	Share premium account £'000	Profit and loss account £'000	Total £'000
Group			
At 1 July 2013	6,604	(6,772)	(168)
Profit for the financial year	-	354	354
At 30 June 2014	<u>6,604</u>	<u>(6,418)</u>	<u>186</u>
	Share premium account £'000	Profit and loss account £'000	Total £'000
Company			
At 1 July 2013	6,604	(10,093)	(3,489)
Profit for the financial year	-	240	240
At 30 June 2014	<u>6,604</u>	<u>(9,853)</u>	<u>(3,249)</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2014 £'000	2013 £'000
Group		
Profit for the financial year	354	2,094
Opening shareholders' funds/(deficit)	<u>832</u>	<u>(1,262)</u>
Closing shareholders' funds	<u>1,186</u>	<u>832</u>
	2014 £'000	2013 £'000
Company		
Profit/(loss) for the financial year	240	(101)
Opening shareholders' deficit	<u>(2,489)</u>	<u>(2,388)</u>
Closing shareholders' deficit	<u>(2,249)</u>	<u>(2,489)</u>

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements

For the year ended 30 June 2014 (continued)

19. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2014 £'000	2013 £'000
Operating profit	587	3,167
(Decrease)/increase in provisions	(76)	1,365
Depreciation of equipment	713	852
Amortisation of software	156	115
(Increase)/decrease in stocks	(547)	41
(Increase)/decrease in debtors	(6,554)	4,306
Decrease increase in creditors (excluding shareholder loan and corporation tax/ deferred tax)	(1,530)	(6,931)
Net cash from operating activities	<u>(7,251)</u>	<u>2,915</u>

20. ANALYSIS AND RECONCILIATION OF NET FUNDS

	At 1 July 2013 £'000	Cash flow £'000	Foreign exchange variance £'000	At 30 June 2014 £'000
Cash at bank and in hand	17,968	(9,133)	-	8,835
Loans from shareholder	(3,489)	-	116	(3,373)
Net funds	<u>14,479</u>	<u>(9,133)</u>	<u>116</u>	<u>5,462</u>

21. OPERATING LEASE COMMITMENTS

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

	Land and buildings 2014 £'000	2013 £'000
Group		
Expiry date:		
Within one year	1,159	198
Between two and five years	193	1,143
	<u>1,352</u>	<u>1,341</u>
Company		
Expiry date:		
Within one year	950	-
Between two and five years	-	950
	<u>-</u>	<u>950</u>

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 £301,798 (2013: £214,958). Contributions totalling £63,445 (2013: £12,632) were payable to the fund at the balance sheet date and are included in other creditors.

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements For the year ended 30 June 2014 (continued)

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.

Amounts loaned from related parties:

Related party	Loan value £	Balance at 30 June 2014 £	Loan value £	Balance at 30 June 2013 £
OGN Investment Partners Limited:				
Amounts falling due within one year	-	-	-	-
Amounts falling due after more than one year	3,372,980	3,372,980	3,488,547	3,488,547
	<u>3,372,980</u>	<u>3,372,980</u>	<u>3,488,547</u>	<u>3,488,547</u>

Interest paid on amounts loaned from related parties:

Related party	2014 £	2013 £
OGN Investment Partners Limited	<u>157,610</u>	<u>282,913</u>

Interest was charged on the loans from OGN Investment Partners Limited at 4% above LIBOR. Interest of £nil (2013: £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 £950,000 (2013: £950,000). As at 30 June 2014, £712,500 (2013: £950,000) 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 £18,875 (2013: £13,320). As at 30 June 2014, there were no outstanding amounts due to AIM (2013: £nil). During the year IRS provided services of agency personnel to the group which amounted to £10,143,250 (2013: £8,728,297). As at 30 June 2014, £1,598,567 was outstanding and payable within a month (2013: £377,483). 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 2014 the group was contracted to buy €300,000 (2013: £nil) and \$300,000 (2013: £nil). As at 30 June 2013 the valuation of forward foreign currency contracts at fair value would result in a loss of £10,640 (2013: £nil).

OFFSHORE GROUP NEWCASTLE LIMITED

Notes to the financial statements

For the year ended 30 June 2014 (continued)

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.

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, OGN Property Limited and Aquind Limited.

During the year, in conjunction with the group's bankers, a subsidiary company issued a performance bond of £1,193,573 to a client in support of a contract. From the issue of the provisional completion certificate the amount is reduced 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 the subsidiary company.

27. SUBSEQUENT EVENTS

Subsequent to the year end, 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.