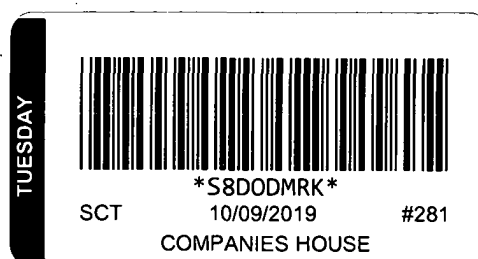


**ELECTRO-FLOW CONTROLS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**COMPANIES HOUSE**  
**EDINBURGH**

**10 SEP 2019**

**FRONT DESK**



# **ELECTRO-FLOW CONTROLS LIMITED**

## **DIRECTORS AND ADVISERS**

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<b>Directors</b>	Mr T Dixon Mrs E Duncan Mr C Clarke
<b>Company number</b>	SC109038
<b>Registered office</b>	6 Queens Road Aberdeen AB15 4ZT
<b>Statutory auditor</b>	Deloitte LLP Union Plaza 1 Union Wynd Aberdeen AB10 1SL
<b>Business address</b>	Hareness Road Altens Industrial Estate Altens AB12 3LE
<b>Solicitors</b>	CMS Cameron McKenna LLP 6 Queens Road Aberdeen AB15 4ZT

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# **ELECTRO-FLOW CONTROLS LIMITED**

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# **ELECTRO-FLOW CONTROLS LIMITED**

## **STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018**

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The directors present their strategic report and audited financial statements for the year ended 31 March 2018.

### **Principal activities and review of business**

The principal activity of the company is the manufacturing of drilling instrumentation products for sale to the international oil and gas industry.

### **Business update**

Following a challenging FY17 in terms of global oil and gas industry uncertainty and strict hold on capital spend, FY18 began to show signs of recovery. Oil prices improved and stabilised over this period, and some confidence began to return giving rise to the early signs of capital spend commitment from customers. This trend towards greater capital spend has started to materialise into commitment leading to procurement activity in 2019.

EBITDA loss for the period was £3.2m (2017: EBITDA loss of £5.2m), and generated a loss before tax of £3.9m (2017: loss before tax of £8.2m). This was after exceptional costs of £515k (2017: £3.5m) for redundancy and restructuring costs (£153k in 2018, £291k in 2017) and impairment upon write off of intercompany loan due from a subsidiary of £362k (£3.2m in 2017). The Board of Directors consider the Key Performance Indicators (KPIs) to be EBITDA, and profit/loss before tax.

The majority of geographical revenues continue to be in North America and Europe, with the balance predominantly in Asia and Middle East. Management will continue to focus on organic growth, core standard product offering and development, and the commercialisation of that in the near-term.

### **Results and dividends**

The results for the period are set out on page 7. The directors do not recommend payment of a dividend.

### **Going concern**

In late 2018, the Group (of which this entity is the main trading entity) chose to complete a restructure, to eliminate all bank and shareholder debt, simplify the group structure and inject £3m in cash into the business. Of this cash injection, £1.2m was paid in settlement against the bank debt and the remainder used in the business. After a review of the Group's forecast business outlook, coupled with the complete removal of debt burden, the directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the foreseeable future.

This key investor commitment provides a repaired balance sheet and the stability to allow focus on securing new and differentiated business, continue developing new products, and working with both existing and new clients through 2019. The Shareholders remain committed to supporting the business beyond the restructuring exercise and through any uncertainty.

2019 to date has seen an improvement in order intake and visibility. The forward horizon of increasing pipeline opportunities, set against the backdrop of a stable oil price, is giving rise to a view of careful optimism.

### **Implications of Brexit**

The decision for the UK to leave the EU following the referendum in June 2016 has caused much economic uncertainty and speculation and continues to do so whilst we await resolution of the Brexit problem. Whilst the company itself sells limited amounts to the EU, its major customers do operate in international markets and so the company is unlikely to be completely sheltered from the economic effects of Brexit. Currently there is no evidence of customers holding off on investment down to Brexit. The company purchases the vast majority of its supplies from UK entities but appreciate that they in turn may purchase from the EU and it is unclear at this time the impact on the supply chain.

# **ELECTRO-FLOW CONTROLS LIMITED**

## **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018**

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### **Financial risk management objectives and policies**

The company's activities expose it to a number of financial risks including price risk, credit risk, currency risk and liquidity risk.

#### **Price risk**

The company is exposed to commodity price risk. The company does not manage its exposure to commodity price risk due to cost benefit considerations and, in any case for the majority of contracts, the company can pass on price fluctuations.

#### **Credit risk**

The company's principal financial assets are bank balances and trade and other receivables. The company's credit risk is primarily attributable to its trade receivables, including amounts recoverable on contracts. The larger outstanding balances within the trade receivables are due from companies with higher credit ratings, although regular consideration is made of their credit rating based on their current performance and events. The remaining exposure is spread over a variety of customers, and the amount presented in the balance sheet is net of allowances for doubtful receivables.

#### **Currency risk**

The company's activities expose it to the financial risk of changes in foreign currency exchange rates, as currently the majority of the company's sales are in US dollars. The majority of raw materials are however obtained from United Kingdom sources. The company monitors foreign exchange rate movements and considers the utilisation of financial instruments to maximise currency gains/minimise currency losses.

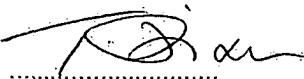
#### **Liquidity risk**

In order to maintain liquidity and to ensure that sufficient funds are available for ongoing operations and future developments, the wider group has a commitment of shareholder support, which is extended down to this company. The company has sufficient surplus cash to fund short term financing requirements.

#### **Environment**

The company recognises the importance of its environmental responsibilities and has policies in place to manage its impact on the environment.

Approved by the board of directors



Mr T Dixon  
Director

10 September 2019

# **ELECTRO-FLOW CONTROLS LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018**

---

The directors present their report and audited financial statements for the year ended 31 March 2018.

### **Directors**

The following directors have held office since 1 April 2017 and to the date of this report unless otherwise stated:

Mr T Dixon (appointed 30 November 2018)  
Mrs E Duncan (appointed 4 July 2019)  
Mr C Clarke (appointed 4 July 2019)  
Mr K Massie (resigned 14 December 2018)  
Mr G Forbes (appointed 30 November 2018, resigned 4 July 2019)

### **Future Developments and Financial Instruments**

Details of anticipated future developments affecting the company's operations along with the financial instruments used are disclosed in the strategic report.

### **Dividends**

The directors do not propose a dividend with respect the year ended 31 March 2018 (2017: nil).

### **Events after the balance sheet date**

The following events occurring after the balance sheet date are disclosed as below. None of these events have required adjustment to the reported results for the year to 31 March 2018.

The immediate parent company changed its name from Intercede (Scotland) 1 Limited to EFC Group Limited on 16 May 2018.

EFC Group Limited and its subsidiaries, including this company, were acquired by E-Flow Holdings Limited on 30 November 2018. This is discussed further in the Strategic Report and note 21.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper 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.

# **ELECTRO-FLOW CONTROLS LIMITED**

## **DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018**

---

### **Statement of disclosure to auditor**

The directors confirm that;

- a) so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware, and
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### **Auditor**

The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 487 of the Companies Act 2006 at an AGM or deemed in the absence of an AGM.

Approved by the board of directors



Mr T Dixon

Director

10 September 2019

# **ELECTRO-FLOW CONTROLS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRO-FLOW CONTROLS LIMITED**

---

### **Opinion**

In our opinion the financial statements of Electro-Flow Controls Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in respect of these matters.



# **ELECTRO-FLOW CONTROLS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELECTRO-FLOW CONTROLS LIMITED (CONTINUED)**

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### **Responsibilities of directors**

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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

*L Cowie*

Lyn Cowie, CA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Aberdeen

10 September 2019

# ELECTRO-FLOW CONTROLS LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
Turnover	3	7,225	5,445
Cost of sales		(5,963)	(4,352)
Gross profit		1,262	1,093
Administrative expenses		(4,156)	(3,487)
Exceptional costs	6	(515)	(3,510)
Other operating income		19	178
Operating loss		(3,390)	(5,726)
Finance charges (net)	5	(484)	(2,461)
Loss before taxation	4	(3,874)	(8,187)
Tax credit on loss	9	-	406
Loss after taxation		(3,874)	(7,781)

The income statement has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the income statement, accordingly no statement of other comprehensive income is presented.

# ELECTRO-FLOW CONTROLS LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Intangible assets	10	29	-
Tangible assets	11	198	382
Investments	12	1	1
		<u>228</u>	<u>383</u>
<b>Current assets</b>			
Stocks	13	-	717
Debtors	14	7,934	8,224
Cash at bank and in hand		434	64
		<u>8,368</u>	<u>9,005</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(4,633)</u>	<u>(3,996)</u>
<b>Net current assets</b>		<u>3,735</u>	<u>5,009</u>
<b>Total assets less current liabilities</b>		<u>3,963</u>	<u>5,392</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<u>(4,033)</u>	<u>(2,088)</u>
<b>Provisions for liabilities</b>	17	<u>-</u>	<u>-</u>
<b>Net (liabilities) / assets</b>		<u>(70)</u>	<u>3,304</u>
<b>Capital and reserves</b>			
Called up share capital	19	34	34
Profit and loss account	19	(604)	3,270
Capital contribution reserve	19	500	-
<b>Shareholders' (deficit) / funds</b>		<u>(70)</u>	<u>3,304</u>

Approved by the Board and authorised for issue on 10 September 2019:



Mr T Dixon  
Director

Company Registration No: SC109038

# ELECTRO-FLOW CONTROLS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

### STATEMENT OF CHANGES IN EQUITY 2017

	No tes	Called-up share capital £'000	Profit and loss account £'000	Capital Contribution Reserve £'000	Total £'000
At 1 April 2016		34	11,051	-	11,085
Loss for the year		-	(7,781)	-	(7,781)
Total comprehensive loss for the year		-	(7,781)	-	(7,781)
At 31 March 2017		34	3,270	-	3,304

### STATEMENT OF CHANGES IN EQUITY 2018

	No tes	Called-up share capital £'000	Profit and loss account £'000	Capital Contribution Reserve £'000	Total £'000
At 1 April 2017	19	34	3,270	-	3,304
Loss for the year	19	-	(3,874)	-	(3,874)
Total comprehensive loss for the year		-	(3,874)	-	(3,874)
Other transactions with equity shareholders:					
Loan forgiveness from fellow subsidiary		-	-	500	500
At 31 March 2018	19	34	(604)	500	(70)

# **ELECTRO-FLOW CONTROLS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018**

---

### **1 Significant Accounting policies** **1.1 General information and basis of accounting**

Electro-Flow Controls Limited is a private company limited by shares and incorporated in Scotland under the Companies Act 2006. The address of the registered office is 6 Queens Road, Aberdeen, AB15 4ZT. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 2).

### **1.2 Financial reporting standard 102 - reduced disclosure exemptions**

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

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of EFC Group Limited for the year ended 31 March 2018 and these financial statements may be obtained from 6 Queens Road, Aberdeen, AB15 4ZT.

### **1.3 Turnover**

Turnover represents revenue recognised in the financial statements. Revenue is recognised when the company fulfils its contractual obligations to customers by supplying goods and services and excludes value added tax. Where services are performed gradually over time revenue is recognised as activity progresses by reference to the value of work performed. Consideration is also given on certain projects to the percentage complete as a form of recognising revenue.

### **1.4 Intangible Assets – goodwill**

Goodwill arising on the acquisition of / and hive up of subsidiary undertaking and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful life which does not exceed ten years.

### **1.5 Development costs**

Development costs are capitalised and classified as an asset on the balance sheet, where the expenditure is for a clearly defined commercially viable project which is separately identifiable and is reasonably expected to generate revenues in excess of its cost. Development costs are amortised over their useful economic life of five years on a straight line basis.

Development costs have been capitalised in accordance with FRS 102 section 18 Intangible Assets other than Goodwill and therefore not treated, for dividend purposes, as a realised cost.

# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

---

### **1 Accounting Policies (continued)**

#### **1.6 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	25-33% straight line
Fixtures, fittings & equipment	33% straight line
Motor vehicles	25% straight line

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

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance is charged to profit or loss during the period in which they are incurred.

#### **1.7 Impairment of fixed assets and goodwill**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### **1.8 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 the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### **1.9 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

#### **1.10 Stock and work in progress**

Stock is valued at the lower of cost and net realisable value.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

#### **1.11 Debtors**

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

# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

---

### 1 Accounting Policies (continued)

#### 1.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 23 hours. Cash equivalents are highly liquid investments that mature in not more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 1.13 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 after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

#### 1.14 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the income statement in the period they are payable.

#### 1.15 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

#### 1.16 Provisions for liabilities

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

Provisions are charged as an expense to the Income statement in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

#### 1.17 Exceptional items

Exceptional items are transactions that are presented separately due to their size or incidence.

# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

---

### **1 Accounting policies (continued)**

#### **1.18 Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to income statement.

#### **1.19 Financial instruments**

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets are derecognised when and only when:

- a) the contractual rights to the cash flows from the financial asset expire or are settled,
- b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or
- c) the Group, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Financial liabilities within the scope of FRS 102 section 11 and 12 are initially classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

#### **1.20 Creditors**

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



# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

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### 2. **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

#### **Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### ***Revenue recognition***

Revenue for provision of services is recognised for the known number of days engineers have been offshore where there is a purchase order in place. The value will be calculated on the agreed engineering day rate.

Revenue for provision of goods is recognised when the costs have been received by either good receipt, invoice or timesheet bookings. The value of the revenue will be calculated on the costs marked up by the budgeted margin based on project by project basis. Consideration is also given on certain projects to the percentage complete as a form of recognising revenue.

##### ***Taxation***

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions are based on various factors, such as experience with previous tax authorities and differing interpretations of tax regulations by the company and the tax authority.

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

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

The following are key sources of estimation uncertainty for which the directors have estimated when applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### ***Impairment/recoverability of stock***

The company makes an assessment of the recoverable value of stock. When assessing impairment of stock, management consider various factors including the ageing profile of stock items and historical experience. See Note 13 for the net carrying amount of stock.

##### ***Impairment/recoverability of debtors***

The company makes an assessment of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider various factors including the ageing profile of debtors and historical experience. See Note 14 for the net carrying amount of the debtors.

# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

<b>3</b>	<b>Turnover</b>		
	Geographical market	<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
	Europe	3,974	2,106
	North America	2,594	1,522
	South America	210	138
	Middle East	176	548
	Rest of World	271	1,131
		<u>7,225</u>	<u>5,445</u>
<b>4</b>	<b>Loss before taxation</b>		
	Loss before taxation is stated after (crediting)/charging:		
		<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
	Non-executive directors fees	37	80
	Depreciation	188	245
	Amortisation of intangible assets	-	257
	Operating lease rentals	377	330
	Loss/(gain) on foreign exchange transactions	914	(568)
	Loss on disposal of fixed assets	-	1
	The analysis of the auditors remuneration is as follows:		
	Fees payable to the company's auditors and their associates for the audit of the company's annual financial statements	27	19
	Fees payable to the company's auditors and their associates for other services to the company	25	91
	Total audit fees	<u>52</u>	<u>110</u>
	Taxation compliance services	19	15
	Tax advisory & restructuring services	6	76
	Total non-audit fees	<u>25</u>	<u>91</u>
<b>5</b>	<b>Finance charges (net)</b>	<b>2018</b>	<b>2017</b>
		<b>£'000</b>	<b>£'000</b>
	On bank loans and overdrafts	29	1
	On investor loans	14	25
	On hire purchase	2	3
	Management charges payable	439	2,432
		<u>484</u>	<u>2,461</u>

# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

6	Exceptional items	2018 £'000	2017 £'000
	Restructuring and redundancy costs	153	291
	Impairment of investment following write off of loan due from subsidiary (note 12)	362	3,219
		<u>515</u>	<u>3,510</u>

Due to the nature and size of these restructuring and redundancy costs they are considered to be exceptional items.

At the year-end, a decision was taken to write off the loan balance due from the company's direct subsidiary. This is considered a further investment, which was then deemed non-recoverable. Accordingly the additional investment was impaired (note 12), and treated as an exceptional item due to nature and amount.

### 7 Staff costs

	2018 No	2017 No
The average monthly number of employees was:		
Production	29	45
Sales	5	6
Administration	18	19
	<u>52</u>	<u>70</u>

	2018 £'000	2017 £'000
Their aggregate remuneration, including directors, comprised:		
Wages and salaries	2,828	3,454
Social security costs	320	368
Other pension costs (note 18)	214	260
	<u>3,362</u>	<u>4,082</u>

'Other pension costs' includes only those items included within operating costs.

8	Directors' remuneration and transactions	2018 £'000	2017 £'000
	Emoluments	185	184
	Company contributions to money purchase pension schemes	9	10
		<u>194</u>	<u>194</u>

One director is a member of a money purchase pension scheme (2017: one).

# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

9	Tax on profit on ordinary activities	2018 £'000	2017 £'000
	The tax charge comprises:		
	Current tax on profit on ordinary activities		
	UK corporation tax	-	(102)
	Adjustment for prior periods	-	(276)
	<b>Total current tax</b>	-	<b>(378)</b>
	Foreign corporation tax		
	Foreign corporation tax	-	2
	<b>Total current tax</b>	-	<b>(376)</b>
	Deferred tax		
	Origination and reversal of timing differences	-	(37)
	Adjustment for prior years	-	3
	Effect of changes in tax rates	-	4
	<b>Total deferred tax</b>	-	<b>(30)</b>
	<b>Total tax (credit) on loss per the income statement</b>	-	<b>(406)</b>

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £'000	2017 £'000
Loss before tax	(3,874)	(8,187)
Tax on loss at standard UK corporation tax rate of 19% (2017: 20.00%)	(736)	(1,637)
Effects of:		
Income & expenses non-deductible for tax purposes	89	667
Effects of group & R&D Relief	37	(180)
Losses	-	140
Foreign tax adjustments	-	2
Adjustments in respect of prior periods	-	(272)
Tax rate change	-	4
Deferred tax asset not provided	598	870
Other tax adjustments	12	-
<b>Total tax (credit) for the period</b>	-	<b>(406)</b>

# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 9 Tax on profit on ordinary activities (continued)

#### Factors that may affect future current and total tax charges

Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2016 on 15 September 2017. These reduce the main rate to 17% from 1 April 2020 and this rate has been used to calculate the unrecognised deferred tax in the financial statements.

In addition there is an unrecognised deferred tax asset of £1,234,000 relating to losses (2017: £742,000), fixed asset timing differences £39,000 (2017: £28,000) and short term timing differences £3,000 (2017: £5,000). The deferred tax asset is unrecognised due to the uncertainty over timing of future profits against which to relieve the assets.

### 10 Intangible fixed assets

	Goodwill £'000	Development costs £'000	Total £'000
<b>Cost</b>			
At 1 April 2017 & 31 March 2018	643	-	643
Additions	-	29	29
At 31 March 2018	643	29	672
<b>Amortisation</b>			
At 1 April 2017 & 31 March 2018	643	-	643
<b>Net book value</b>			
At 31 March 2018	-	29	29
At 1 April 2017	-	-	-

# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 11 Tangible fixed assets

2018	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 April 2017	1,281	440	50	1,771
Additions	4	-	-	4
At 31 March 2018	1,285	440	50	1,775
<b>Depreciation</b>				
At 1 April 2017	1,109	240	40	1,389
Charge for the year	141	41	6	188
At 31 March 2018	1,250	281	46	1,577
<b>Net book value</b>				
At 31 March 2018	35	159	4	198
At 1 April 2017	172	200	10	382

# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 12 Fixed asset investments

#### Company

#### Shares in company undertakings

#### Cost

£'000

At 1 April 2017 & at 31 March 2018

1

#### Net book value

31 March 2018

1

31 March 2017

1

In the year a loan due from the direct subsidiary was written off (note 6). This is considered an additional investment in the subsidiary which was then deemed non-recoverable and impaired in the year.

#### Holdings of more than 20%

Company	Country of registration or incorporation	Class	Shares held %
<b>Subsidiary undertakings:</b>			
EFC Americas Inc	USA	Ordinary	100

Registered Office: 1424 W Sam Houston Parkway, Suite 1409, Houston, Texas 77043

### 13 Stocks

	2018 £'000	2017 £'000
Work in progress	-	71
Raw materials and consumables	-	646
	-	717

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

### 14 Debtors

	2018 £'000	2017 £'000
Trade debtors	1,192	541
Corporation tax	376	398
Amounts recoverable on long term contracts	957	1,956
Amounts owed by parent company	330	631
Amounts owed by other group undertakings	4,941	4,473
Other debtors	14	82
Prepayments and accrued income	124	143
	7,934	8,224

Amounts owed by parent and fellow subsidiaries are repayable on demand and interest free.

# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 15 Creditors : amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	1,342	210
Amounts owed to fellow subsidiaries	701	1,204
Taxes and social security costs	102	115
Payments on account	1,393	733
Accruals and other creditors	1,095	1,134
Investor loan	-	600
	<u>4,633</u>	<u>3,996</u>

Amounts owed to fellow subsidiaries are repayable on demand, unsecured and interest free.

The Investor loan was repayable on 30 June 2017, was unsecured and accrued interest at 10%. When settled £150k was repaid and the remaining £450k transferred to the amounts owed to parent undertakings, as the parent undertaking issued additional equity to the shareholders in lieu of payment for the loan.

The obligations under finance lease and hire purchase agreements were secured over the related assets.

### 16 Creditors : amounts falling due after more than one year

	2018	2017
	£'000	£'000
Amounts owed to group undertakings	<u>4,033</u>	<u>2,088</u>

Amounts due to parent undertakings are payable in over 1 year but with no fixed repayment date. These balances are unsecured.

### 17 Provisions for liabilities

	Deferred taxation	Deferred taxation
	2018	2017
	£'000	£'000
At 1 April	-	30
Adjustment in respect of prior years	-	4
Charged to profit and loss account	-	(34)
At 31 March	<u>-</u>	<u>-</u>



# ELECTRO-FLOW CONTROLS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

### 18 Pension costs

Defined contribution	2018 £'000	2017 £'000
Contributions payable by the Company for the year	214	260

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. Contributions totalling £15,000 (2017: £20,000) were payable to the fund at the year-end and are included in creditors.

### 19 Called up share capital and reserves

	2018 £'000	2017 £'000
Allotted, called up and fully paid 34,000 Ordinary shares of £1 each	34	34

The company's other reserve is as follows:

The profit and loss reserve represents cumulative profits or losses net of dividends paid.

The capital contribution reserve represents cumulative gains from the forgiveness of intercompany indebtedness.

### 20 Financial commitments

At 31 March 2018 the company was committed to making the following total future minimum lease payments under non-cancellable operating leases:

	Land and Buildings		Other	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Within one year	365	302	14	22
Between one and five years	1,583	555	-	-
Over five years	2,576	3,785	-	-
	4,524	4,642	14	22

### 21 Post balance sheet events

In late 2018, the wider Group chose to complete a restructure, to eliminate all bank and shareholder debt, simplify the group structure and inject £3m in cash into the business. Of this cash injection, £1.2m was paid in settlement against the bank debt and the remainder used in the business. All cross-guarantees and floating charges were satisfied as part of the bank and shareholder debt elimination. As part of this restructure the company, its immediate parent and fellow subsidiaries were acquired by E-Flow Holdings Limited on 30 November 2018.

# **ELECTRO-FLOW CONTROLS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018**

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### **22 Controlling party**

The immediate parent company is EFC Group Limited (formerly Intercede (Scotland) 1 Limited). This is the largest and smallest group in which the company is consolidated for the year ended 31 March 2018. The consolidated financial statements may be obtained from the registered office: 6 Queen Street, Aberdeen, AB15 4ZT.

At the balance sheet date, 31 March 2018, the ultimate controlling party was SF Offshore Power and Control Topco Limited. On 30 November 2019 the larger group was restructured and the ultimate controlling party became E-Flow Holdings Limited.