SPM OIL & GAS SCOTLAND LIMITED

(FORMERLY KNOWN AS
SPECIALISED PETROLEUM MANUFACTURING LIMITED)

Report and Financial Statements

31 December 2020

Registered No: SC131809

Company information

Registered No: SC131809

Directors

Colin McGregor
Keith Peach

Company Secretary

Colin McGregor (resigned 1 April, 2021)
Manohar Singh Wahiwala (appointed 1 April, 2021)

Independent auditors

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Bankers

HSBC Bank PLC
8 Canada Square
London
E14 5HQ

Registered office

SPM House
Badentoy Crescent
Badentoy Industrial Park
Portlethen
AB12 4YD

Country of incorporation

Scotland

Strategic report

The directors present their Strategic report on SPM Oil & Gas Scotland Limited ('the Company') for the year ended 31 December 2020. On 6 April 2021, the Company changed its name from Specialised Petroleum Manufacturing Limited.

Principal activities

The Company's principal activity is the sale and rental of specialised flow control products to the oil and gas industry.

Business review

The company's overall performance in 2020 reflected the ongoing effects of the worldwide COVID-19 pandemic on economic activity, with all geographical and product markets severely affected by restricted activity both onshore and offshore.

The Company's key financial and other performance indicators during the year were as follows:

	2020	2019	
	£000	£000	Change
Revenue	15,327	24,943	-39%
Operating (loss) profit	(628)	1,888	-133%
(Loss) profit before tax	(664)	2,107	-132%
(Loss) profit for the year	(779)	1,713	-145%
Total shareholders' funds	4,334	32,413	-87%
Working capital as % of sales	13%	122%	-10,913bps
Current assets as % of current liabilities	333%	633%	-30,000bps
Average number of employees	43	46	-7%

Turnover declined by 39% from the previous year, with lower economic activity as a result of the COVID-19 pandemic resulting in reduced demand for oil and gas around the world. The equipment sales market declined by 39% versus the prior period while the rental business declined 45%, the former reflecting service companies reducing their capital spend and running inventories down throughout a period with severely reduced activity, as well as intense pricing challenges, and the latter reflecting, additionally, the sporadic and unpredictable nature of lockdowns on ongoing work with many rental contracts reduced to standby rates for significant periods of time. However, the equipment refurbishment business increased during the year (+21%), with some service companies taking advantage of the extended lower activity levels to refurbish and recertify larger parts of their equipment fleets.

Against this backdrop, operating profits declined from £1,888,000 in 2019 to an operating loss of £628,000, a reduction of £2,516,000 (-133%). This was primarily driven by a £2,924,000 (-52%) drop in gross profits, mainly driven by volumes, but % gross margins dropping from 22.4% in 2019 to 17.5% in 2020 (-5%), reflecting the need to reduce prices on equipment sales and more labour-intensive equipment refurbishment work replacing rental work as a greater part of the overall service mix, together with shorter rental jobs requiring more frequent equipment recertification. Worldwide supply pressures further contributed to this drop, with material costs, particularly on steel, increasing by 15-20%. Overhead costs declined by £408,000 year-on-year (-11%) with intermittent furloughs of staff during the height of the pandemic and reduction of travel costs in particular being the main reasons behind the decrease.

Pre-Tax profits declined by £2,771k (-132%) to a pre-tax loss of £664,000, with net finance cost/income declining to a loss of £36,000 versus a prior period income of £219,000. This resulted primarily from a reduction in interest receivable on group loan deposits and an unfavourable position on financial instrument losses as a reflection of the weakening US dollar during the year.

Strategic report (continued)

Working capital decreased from 122% of turnover in 2019 to 13% in 2020, primarily as a result of the settlement of Weir Group Receivables outstanding at the beginning of the prior period. There were also, however, significant reductions in both trade receivables and inventory holdings due to continued lower levels of activity.

Average headcount decreased by 7% in the year with leavers in operations (1) and management/admin (2) not being replaced due to the COVID-19 pandemic.

The business entered 2021 with a much reduced forward orderbook compared to previous years, with the effects of the COVID-19 pandemic, rising material costs, increasing lead times due to transport difficulties, and uncertain global economic outlooks continuing to suppress activity and prevent customers from committing to orders significantly in advance of requirements. Local inventory levels have been severely reduced as a result.

On 5 October 2020, the Company's ultimate parent undertaking as at the previous Balance Sheet Date, The Weir Group PLC, announced an agreement had been entered into to sell its Oil & Gas division to Caterpillar Inc., for an enterprise value of US$405m, subject to customary working capital and debt-like adjustments at closing. This transaction was completed on 1 February 2021, with Caterpillar Inc becoming the company's ultimate parent undertaking at that point. Caterpillar has indicated that it wishes the company to continue to operate in the same manner it did under Weir ownership, in conjunction with, over time, integrating the company's product spread with its own legacy offerings within Caterpillar Marine & Power Division, although it will likely be 2022 before this begins in earnest.

Future Developments

As disclosed above and elsewhere, the Company's Immediate Parent Company, SPM Flow Control Inc, was sold to Caterpillar Inc, along with the Weir Oil & Gas division on 1 February 2021. Caterpillar have intimated that the Company should continue to operate in the same manner post-acquisition with no significant changes to operating practises while the Company is integrated into the Caterpillar Business Model and Risk Controls Framework.

Principal risks

Risk is inherent in our business activities and as a consequence of operating a sound risk management process the Company has identified the following principal risks and uncertainties, which it believes could have a materially adverse effect on its business, turnover, profit, assets, liquidity, resources and reputation. The nature of risk is such that no list can be comprehensive and it is possible that other risks may arise, or that risks not currently considered material may become so in the future.

COVID-19 Pandemic risk

As a result of the COVID-19 Pandemic, the company faced intermittent periods of low activity in 2020, particularly between March and July as the situation evolved. During this period, a number of personnel worked from home or were furloughed, although the decision was made by the company's ultimate parent company not to make claims under the UK Corona Virus Job Retention Scheme (CJRS) owing to the overall positive liquidity of the company. The company further implemented safe working practises on site for those employees unable to work from home. This has enabled the company to continue trading, so minimising the risk of any future impact from this Pandemic, and the company will maintain these safe working practices until the COVID-19 Pandemic is brought under control.

Brexit risks

Following the United Kingdom's departure from the European Union and the end of the UK/EU Transition Period on 31 December 2020, Great Britain is outside of the EU Single Market and Customs Union, with Northern Ireland remaining within the EU Customs Union and the UK Customs Regime. The company's planning and preparation ahead of the EU-UK Trade Cooperation Agreement reached at the end of 2020 has been successful in minimising Brexit-related disruption to our business, but some minor impact was seen. Brexit resulted in a small increase in import duties and increased engagement with Third Party Customs Specialists in order manage the additional import and export declarations that are now required.

Strategic report (continued)

Political risks

The Company and its customers operate around the world including the North Sea Sector (UK & Scandinavia), Continental Europe, Russia and the former CIS states, and the African Continent. While benefiting from the opportunities in these regions, the Company and its customers are exposed to the political and business risks associated with international operations, such as sudden changes in regulation, expropriation of assets, imposition of trade barriers and limits on the export of currency.

Product liability claims

The Company faces an inherent business risk of exposure to product liability and warranty claims in the event that a failure of a product results in, or is alleged to result in, bodily injury, property damage and/or consequential loss. The Company's ultimate parent company maintains insurance coverage for product liability claims where possible. For warranty claims not covered by insurance, warranty costs may be incurred which the Company may not be able to recover.

Employee issues

Company performance depends on the skills and efforts of its employees and management team across all of its businesses. The Company recognises that failing to attract new talent and retain existing expertise, knowledge and skills in operations, products and infrastructure areas such as information technology could have a negative impact on its business.

Health & safety

The Company operates in a number of demanding environments and safe working practices are extremely important to protect everyone on the Company's premises with long established working practices and controls to minimise damage and injury.

The Company is certified by Lloyds Register to ISO 45001 International Standard. The Safety Management System was recertified on 1st December 2020 (valid until November 2023) Certificate No: 10296842. In addition to this, the Company will be assessed against Caterpillar EHS Excellence System. The company operates with zero harm behavioural policies, with all Staff being trained on these principles. The Company's legal obligations are verified annually by a third party, and at the latest visit in November 2020, were found to be fully compliant.

Customer relationships

The Company benefits from close commercial relationships with a number of key customers. The loss of any of these key customers, or a significant worsening in commercial terms, could impact on the Company's results. The Company devotes significant resources to supporting these relationships to ensure they continue to operate satisfactorily.

Supply chain risk

The Company subcontracts certain elements of the manufacturing process through supply chains external to the Company. Any failure of the supply chain would represent a risk to the Company's ability to meet customer requirements and achieve its financial goals. The Company's strategy is to simplify the external supply chain and forge deeper strategic relationships with fewer but stronger suppliers.

Business continuity and disaster recovery

The Company has a business continuity and disaster recovery plan which is reviewed annually. Risk of disablement of the Company's business critical systems at a key location is mitigated by data back-up designed to ensure that information can be recovered rapidly and independently of any disabled location. In addition, I.T. disaster recovery plans are in place for each location in the event of disruption.

Financial risk management objectives & policies

The Company has financial instruments such as trade receivables and trade payables which arise directly from its operations. The principal financial risks to which the company is exposed are listed below. These risks are managed in accordance with Board approved policies. The change in ownership post year end has not changed these risks.

Strategic report (continued)

Foreign exchange risk

As a result of the Company's business activities, it is exposed to transactional currency risk. Transactional currency exposure arises when the Company enters into transactions denominated in currencies other than its functional currency which is Sterling. Foreign currency exposures are identified and managed directly by the Company within the policies and guidelines established by the Company's ultimate parent at the balance sheet date, The Weir Group PLC. The parent company enters into foreign exchange hedging transactions on behalf of the Company in accordance with those policies and procedures. The Company makes limited use of derivative financial instruments to hedge balance sheet translation exposures. Transaction exposures are hedged with the use of forward exchange rate contracts where deemed appropriate and where they can be reliably forecast. It is policy not to engage in any speculative transaction of any kind. Following the acquisition of the company's parent company by Caterpillar Inc on 1 February 2021, foreign exchange risk is managed by the parent company.

Commodity price risk

The Company's exposure to raw material price risk is generally diminished by restricting bid validity to periods within those quoted by suppliers and by material price escalation clauses. However, it is worth emphasising that worldwide material shortages and consequential price rises resulting from the Covid-19 pandemic will likely have a pronounced effect on future costs which will have to be passed on to customers in pricing to maintain business profitability at the same levels.

Credit risk

The credit risk on liquid funds and derivative financial instruments is limited because the counter parties are banks with high credit-ratings assigned by international credit-rating agencies. The Company's credit risk is primarily attributable to its trade receivables. The Company is exposed to risk over a large number of countries and customers and there is no significant concentration of risk. Where appropriate, the Company endeavours to minimise risk by the use of trade finance instruments such as letters of credit and insurance. Credit worthiness checks are also undertaken before entering into contracts with new customers and credit limits are set as appropriate. Due to long established relationships with the majority of customers, the Company does not consider there to be a significant credit quality issue. The amounts presented in the balance sheet are net of an allowance for expected credit losses, measured in accordance with the impairment requirements of IFRS 9.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and inter-company trading accounts.

Interest rate risk

The Company's borrowings consist of inter group loans and these are at variable rates of interest. Based on current levels of net debt, interest rate risk is not considered to be material.

On behalf of the Board of Directors

Colin McGregor

Colin McGregor
Director
24 November, 2021

Directors' report

The directors present their report and the audited financial statements of SPM Oil & Gas Limited Number (formerly known as Specialised Petroleum Manufacturing Limited) (SC131809) ('the Company') for the year ended 31 December 2020.

Dividends

A dividend of £26,100,000 was approved by the directors of the company at a general meeting on 27 October 2020 and paid on 29 October 2020. A further dividend of £1,200,000 was approved by the directors of the company at a general meeting on 10 December 2020 and paid on 11 December 2020. Total Dividends payable in the year were £27,300,000 (2019: £nil).

Principal activities and review of the business

The Strategic report presents a summary of the Company's principal activities and future developments.

Employee involvement

Within commercial confidence, information continues to be given to employees about the progress of the Company and on matters of concern to them as employees. Regular meetings are held to discuss matters affecting employees.

During the year the Company has continued arrangements whereby it periodically makes presentations to employees on the performance of the Company and its objectives in the context of both internal and external economic factors.

Financial instruments

The Company's principal financial instruments are shown on the balance sheet. The principal financial risks to which the Company is exposed are outlined in the Strategic report.

Going concern

The Directors have assessed the going concern of the Company using cash flow forecasts to December 2022, a period of at least 12 months from the date of signing these financial statements. The current financial position, coupled with forecasts and projections, show that the company should be able to operate within its existing cash reserves. The Directors have considered reasonably possible downside scenarios in arriving at these forecasts and performed appropriate sensitivity testing as well as consideration of mitigating actions which could be made to manage costs should it be necessary. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Events since the balance sheet date

As disclosed in the Strategic Report, on 5 October 2020, the Company's ultimate parent undertaking as at the previous Balance Sheet Date, The Weir Group PLC, announced an agreement had been entered into to sell its Oil & Gas division to Caterpillar Inc., for an enterprise value of US$405m, subject to customary working capital and debt-like adjustments at closing. This transaction was completed on 1 February 2021, with Caterpillar Inc becoming the company's ultimate parent undertaking at that point.

As also disclosed in the Strategic Report, on 6 April, 2021, the company changed its legal name from Specialised Petroleum Manufacturing Limited to SPM Oil & Gas Scotland Limited.

Future developments

Future developments affecting the business are discussed in the business review section of the Strategic report.

Directors' report (continued)

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were::

Colin McGregor

Keith Peach

Directors' liabilities

The Company's Articles of Association contain a provision that every director or other officer shall be indemnified against all losses and liabilities which they may incur in the course of acting as directors (or officers as the case may be) permitted by the Companies Act 2006 (as amended). These indemnities are uncapped in amount. The Company's ultimate parent company as at year end, the Weir Group plc, maintained directors and officers liability insurance in respect of the Company's directors and officers throughout 2020 and up 1 February 2021. From 1 February 2021, and up to the date of approval of the financial statements, directors and officers liability insurance was maintained by Caterpillar (U.K.) Ltd in respect of the Company's directors and officers. The directors and officers liability insurance is considered to be a qualifying third party indemnity as detailed in s.234 of the Companies Act 2006.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP were appointed under section 485 of the Companies Act 2006 as the Company's auditors at a General Meeting of the company on 17 December 2020 and have indicated their willingness to continue in office.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 '*Reduced Disclosure Framework*, and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report (continued)

The directors are also 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.

By order of the Board

Colin McGregor

Colin McGregor
Director

24 November, 2021

Independent auditors' report to the members of SPM Oil & Gas Scotland Limited

Report on the audit of the financial statements

Opinion

In our opinion, SPM Oil & Gas Scotland Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2020; the Income statement and Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Directors' report

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 year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and the Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006 and UK Tax Legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and fraudulent reporting of revenue. Audit procedures performed by the engagement team included:

- enquiries of management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- review of board minutes;
- identifying and testing journal entries for appropriateness, including unexpected account combinations impacting revenue;
- incorporating into our testing plan procedures which are unpredictable in nature; and
- understanding of management's controls designed to prevent and detect irregularities.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements.

Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Mark Hoskyns Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
24 November 2021

Income statement
for the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Revenue	3	15,327	24,943
Operating (loss) profit		(628)	1,888
Finance costs	5	(527)	(1,184)
Finance income	6	491	1,403
(Loss) profit on ordinary activities before tax		(664)	2,107
Tax on (loss) profit on ordinary activities	7	(115)	(394)
(Loss) profit for the financial year		(779)	1,713

The Company's results for the current and the prior year were earned from continuing operations.

The result reported above includes all income and expenses for the year and therefore no statement of comprehensive income has been presented.

Balance sheet
as at 31 December 2020

	Notes	2020 £000	2019 £000
ASSETS			
Non-current assets			
Property, plant & equipment	8	1,403	2,029
Deferred tax asset	7	330	335
Total non-current assets		1,733	2,364
Current assets			
Cash at bank and on hand	9	802	-
Inventories	10	1,330	2,749
Trade & other receivables	11	1,834	33,279
Derivative financial instruments	14	-	174
Total current assets		3,966	36,202
Total assets		5,699	38,566
LIABILITIES			
Current liabilities			
Financial liabilities	12	(256)	(251)
Trade & other payables	13	(935)	(5,399)
Derivative financial instruments	14	-	(73)
Total current liabilities		(1,191)	(5,723)
Non-current liabilities			
Financial liabilities	12	(174)	(430)
Total non-current liabilities		(174)	(430)
Total liabilities		(1,365)	(6,153)
NET ASSETS		4,334	32,413
Capital & reserves			
Called up share capital	15	1	1
Retained earnings		4,333	32,412
TOTAL EQUITY		4,334	32,413

The notes numbered 1 to 20 are an integral part of these financial statements.

The financial statements on page 13 to 33 were authorised for issue by the Board of Directors on 24 November, 2021 and signed on its behalf by

Colin McGregor

Colin McGregor
Director
24 November, 2021

Statement of changes in equity
for the year ended 31 December 2020

	Called up share capital £000	Retained earnings £000	Total equity £000
At 1 January 2019	1	30,699	30,700
Profit (loss) for the financial year	-	1,713	1,713
At 31 December 2019	1	32,412	32,413
(Loss) profit for the financial year	-	(779)	(779)
Dividends (paid)	-	(27,300)	(27,300)
At 31 December 2020	1	4,333	4,334

Notes to the financial statements
for the year ended 31 December 2020

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of SPM Oil & Gas Scotland Limited (formerly known as Specialised Petroleum Manufacturing Limited) for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 24 November, 2021 and the balance sheet was signed on the Board's behalf by Colin McGregor.

SPM Oil & Gas Scotland Limited (formerly known as Specialised Petroleum Manufacturing Limited) is a private limited company, limited by shares, registered and domiciled in Scotland, United Kingdom.

The financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

The Company's financial statements are presented in Sterling and all values have been presented in thousands (£000) except where otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020 ('2020'), the comparative information is provided for the year ended 31 December 2019 ('2019'). The accounting policies are consistent with those of the previous period with the exception of the following standards, amendments and interpretations which are effective for the year ended 31 December 2020:

i. Definition of Material – amendments to IAS 1 and IAS 8;
ii. Definition of a Business – amendments to IFRS 3;
iii. Amendment to IFRS 9, IAS 39 and IFRS 7 regarding interest rate benchmark reform;
iv. Revised Conceptual Framework for Financial Reporting; and
v. Covid-19 related rent concessions – amendment to IFRS 16.

The amendments listed above are not considered to have a material impact on the Financial Statements of the Company.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The financial statements have been prepared on the going concern basis and the historic cost convention, as modified by the revaluation of land and buildings and derivative financial assets and liabilities measured at fair value through profit or loss, and in accordance with the Companies Act 2006. An assessment of the going concern basis is included within the Directors' Report.

Statutory instruments & exemptions

The Company has adopted SI 2015/980 for presentational purposes in order to align with the financial statements of its ultimate parent company.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101.

- paragraphs 45(b) and 46-52 of IFRS 2 'Share-based Payment', because the share based payment arrangement concerns the instruments of the Weir Group PLC;
- IFRS 7 'Financial Instruments: Disclosures';
- paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- IAS 7 'Statement of Cash Flows';
- paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1; paragraph 73(e) of IAS 16 'Property, Plant & Equipment'; and paragraph 118(e) of IAS 38 'Intangible Assets';
- paragraph 17 of IAS 24 'Related Party Disclosures';
- IAS 24 'Related Party Disclosures' disclosure of related party transactions with a fellow wholly owned subsidiary in IAS 24 'Related Party Disclosure';
- paragraph 10(d), 10(f) 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 111, 134-136 of IAS 1 'Presentation of financial statements'; and
- paragraph 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraphs 52 and 58 of IFRS 16 'Leases'.

There are no new standards or interpretations, in addition to the above, which are considered to have a material impact on the financial statements.

Judgements and key sources of estimation uncertainty

There are no areas in the preparation of these financial statements that require management to make significant judgements, estimates or assumptions.

Significant accounting policies

Revenue recognition

Revenue is the consideration received or receivable which reflects the amount expected to be received from customers, mainly the transaction price adjusted for variable consideration. Revenue will only be recognised when the fulfilment of performance obligations is achieved. Revenue is shown net of sales taxes and discounts.

The specific revenue recognition point for each business stream as described in note 3 varies according to business stream.

- Equipment sales revenue is recognised at the point of transfer of ownership of risk and reward to the customer in accordance with the IncoTerms 2020 stated in the order, which is normally at the point of delivery. This reflects when the customer obtains control of the product and can determine its future use and location.
- Service Revenues raised from the service of customer-owned equipment is recognised as service jobs are completed and the customer consumes the benefit of the completed work.
- Rental of the company's own equipment to customers is recognised monthly based on a day-rate basis with billing following within a week of the end of each calendar month.

Foreign currency translation

Transactions denominated in foreign currencies are translated into the Company's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the balance sheet date. Currency translation differences are recognised in the income statement.

Property, Plant and Equipment

Property, plant & equipment comprises owned assets and right-of-use assets that do not meet the definition of investment property.

Owned assets

Owned property, plant & equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Depreciation of property, plant & equipment is provided on a straight-line basis so as to charge the cost less residual value, to the Income Statement over the expected useful life of the asset concerned, and is in the following ranges:

Freehold buildings, long leasehold & buildings	10 – 40 years
Short leasehold land & buildings	duration of lease
Plant & equipment	3 - 7 years
Rental equipment	5 years

Right-of-use asset and lease liability

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether it has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset throughout the period of use.

The Company recognises a lease liability and right-of-use asset at the lease commencement date.

The lease liability is initially measured as the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or where the interest rate implicit in the lease cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments consist of the following components:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise that option); and
- payments of penalties for terminating the lease (if the lease term reflects the lessee exercising the option to terminate the lease).

The Company's incremental borrowing rate is calculated by taking the government borrowing rate in any given currency and adding the estimated Company credit spreads for a variety of tenors. An interpolation is performed to obtain one rate for each of the major lease currencies based on the weighted average life of the lease book.

The right-of-use asset is measured as equal to the lease liability and adjusted for:

- lease payments made to the lessor at or before the commencement date;
- lease incentives received;
- initial direct costs associated with the lease; and

• an initial estimate of restoration costs.

The right-of-use asset is depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by any impairment losses.

The Company has adopted the exemption available for low value assets, with payments being recognised on a straight-line basis over the lease term. Leases relating to laptops, desktop computers, mobile phones, photocopiers, printers and other office equipment, where the asset value is less than £3,500 or the local currency equivalent have been treated as 'low value'. Where the lease contract meets both 'short-term' and 'low value' exemptions, the lease is reported within expenses relating to short-term leases.

For each lease, the lease term has been calculated as the non-cancellable period of the lease contract, except where the Company is reasonably certain that it will exercise contractual extension options. In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Company shall consider all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. In certain circumstances the Company will refer to the 5 year strategic plan period as an appropriate period to consider whether the 'reasonably certain' criteria are met.

Impairment of non-current assets
All non-current assets are tested for impairment whenever events or circumstances indicate that their carrying values might be impaired. Additionally, goodwill, intangible assets with an indefinite life and any capitalised development expenditure are subject to an annual impairment test.

An impairment loss is recognised to the extent that an asset's carrying value exceeds its recoverable amount, which represents the higher of the asset's fair value less costs to sell and its value in use. An asset's value in use represents the present value of the future cash flows expected to be derived from the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is conducted for the cash generating unit to which it belongs. Similarly, the recoverable amount of goodwill is determined by reference to the discounted future cash flows of the cash generating units to which it is allocated.

Impairment losses are recognised in the income statement. Impairment losses recognised in previous periods for an asset other than goodwill are reversed if there has been a change in the estimates used to determine the asset's recoverable amount. The carrying amount of an asset shall not be increased above the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. Impairment losses recognised in respect of goodwill are not reversed.

Inventories
Inventories are valued at the lower of cost and net realisable value, with due allowance for any obsolete or slow moving items. Cost represents the expenditure incurred in bringing inventories to their existing location and condition and comprises the cost of raw materials, direct labour costs and related production overheads. Raw materials cost is generally determined on a first in, first out basis. Net realisable value is the estimated selling price less costs to complete and sell.

Financial assets & liabilities

The Company's principal financial assets and liabilities, other than derivatives, comprise the following:

- bank overdrafts
- short-term borrowings
- loans and fixed rate notes
- cash and short-term deposits
- trade receivables
- trade payables
- contingent consideration.

A financial asset is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Trade receivables

Trade receivables, which are generally of a short term nature, are recognised at original invoice amount where the consideration is unconditional. If they contain significant financing components, trade receivables are instead recognised at fair value. The Company holds trade receivables to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details of the Company's impairment policies and calculation of the loss allowance are provided in note 11.

Derivative financial instruments & hedge accounting

The Company uses derivative financial instruments, principally forward foreign currency contracts and cross currency swaps, to reduce its exposure to exchange rate movements. The Company also uses foreign currency borrowings as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. The Company does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates and counterparty and the Company's own credit risk. The fair value of interest rate swaps and cross currency swaps is calculated as the present value of the estimated future cash flows based on interest rate curves, spot foreign exchange rates and counterparty and own credit risk. Changes in their fair values are recognised in the income statement, except where hedge accounting is used, provided the conditions specified by IFRS 9 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IFRS 9 and practical to do so. When hedge accounting is used, the relevant hedging relationships are classified as fair value hedges, cash flow hedges or net investment hedges, as appropriate.

Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability will be adjusted by the increase or decrease in its fair value attributable to the hedged risk and the resulting gain or loss will be recognised in the income statement where, to the extent that the hedge is effective, it will be offset by the change in the fair value of the hedging instrument.

Where the hedging relationship is classified as a cash flow hedge, to the extent that the hedge is effective, changes in the fair value of the hedging instrument will be recognised directly in other comprehensive income. When the hedged asset or liability is recognised in the financial statements, the accumulated gains and losses recognised in other comprehensive income will be either recycled to the income statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised through other comprehensive income is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss that was reported in equity is immediately reclassified to the income statement in the period.

Derivatives embedded in non-derivative host contracts which are not already measured at fair value through profit or loss, are recognised separately as derivative financial instruments when their risks and characteristics are not closely related to those of the host contract and the host contract is not stated at its fair value with changes in its fair value recognised in the income statement.

Post-employment benefits

For defined contribution plans, the cost represents the Company's contributions to the plan and these are charged to the income statement in the year in which they fall due, along with any associated administration costs.

Taxation

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the year.

Deferred tax is recognised on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base with the following exceptions:

- Deferred tax arising from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination, that, at the time of the transaction, affects neither accounting nor taxable profit or loss, is not recognised;
- Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and
- A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax liabilities represent tax payable in future years in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future years in respect of deductible temporary differences, the carry forward of unutilised tax losses and the carry forward of unused tax credits. Deferred tax is measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Current and deferred tax is recognised in the income statement except if it relates to an item recognised directly in equity, in which case it is recognised directly in equity.

3. Revenues & expenses

The following disclosures are given in relation to total continuing operations.

	2020 £000	2019 £000
A reconciliation of revenue to operating (loss) profit is as follows		
Revenue	**15,327**	24,943
Cost of sales	**(12,652)**	(19,344)
Gross profit	**2,675**	5,599
Selling & distribution costs	**(654)**	(560)
Administrative expenses	**(2,649)**	(3,151)
Operating (loss)/profit	**(628)**	1,888

	2020 £000	2019 £000
Revenue by activity is as follows		
Equipment sales	**10,931**	17,906
Equipment service	**1,009**	834
Rental of equipment	**3,387**	6,203
	15,327	24,943

	2020 £000	2019 £000
Timing of revenue recognition		
At a point in time	**15,327**	24,943
	15,327	24,943

	2020 £000	2019 £000
Operating (loss) / profit is stated after charging/(crediting)		
Depreciation of assets (note 8)	**628**	719
(Gain) on disposal of fixed assets	**(47)**	(29)
Exchange (gains) losses	**(101)**	343
Cost of inventories recognised as an expense (included in cost of sales)	**9,868**	13,204
Audit fees payable to the Company's auditors	**46**	35

4. Staff costs & directors' remuneration

	2020 £000	2019 £000
Employee benefits expense		
Wages and salaries	1,798	2,327
Social security costs	182	270
Other pension costs	97	98
	2,077	2,695

Included in other pension costs are £97,000 (2019: £98,000) in respect of the defined contribution scheme.

	2020 Number	2019 Number
Employee numbers		
The monthly average number of people employed by the company (including directors) is as		
Workshop & Operations	28	29
Sales	6	6
Management & Administration	9	11
	43	46

	2020 £000	2019 £000
Directors' remuneration		
Aggregate emoluments of directors in respect of qualifying services	380	452
Aggregate Company contributions to defined contribution pension plans	20	17

	2020 Number	2019 Number
Number of directors accruing benefits under		
Defined contribution schemes	2	2
Number of directors who received shares in respect of qualifying services	1	1

	2020 £000	2019 £000
In respect of the highest paid director		
Aggregate remuneration	242	286
Accrued pension contributions in the year	13	13
Shares received	18	34
	273	333

Two directors (2019: 2) were remunerated by SPM Oil & Gas Scotland Limited (formerly known as Specialised Petroleum Manufacturing Limited) during the year.

5. Finance costs

	2020 £000	2019 £000
Interest payable to group undertakings	-	40
Interest and finance charges payable on lease liabilities	16	18
Losses on financial asset & liabilities at fair value through profit & loss	510	1,126
Other interest payable	1	-
	527	1,184

6. Finance income

	2020 £000	2019 £000
Interest receivable from group undertakings	86	208
Gains on financial assets & liabilities at fair value through profit & loss	405	1,195
	491	1,403

7. Tax on (loss)/profit

Tax charged in the income statement

	2020 £000	2019 £000
The tax charge (credit) is made up as follows		
Current income tax		
UK corporation tax	-	356
Adjustments in respect of previous years	95	64
Foreign tax suffered	15	-
Total current income tax	110	420
Deferred income tax		
Origination & reversal of temporary differences	47	44
Impact of change in tax rate	(40)	4
Adjustment in respect of previous periods	(2)	(74)
Total deferred tax	5	(26)
Total income tax charge (credit) in the income statement	115	394

Factors affecting the tax charge for the year

The standard rate of tax for the year based on the UK standard rate of corporation tax is 19.00% (2019: 19.00%). The actual tax charge for the current year is set out in the following reconciliation.

	2020 £000	2019 £000
(Loss) profit from continuing operations before income tax	(664)	2,107
Tax calculated at UK standard rate of corporation tax of 19.00% (2019: 19.00%)	(126)	400
Effect of		
Tax underprovided in previous periods	93	(10)
Expenses not deductible	3	-
Change in tax laws and rate	(40)	4
Effects of overseas tax rates	12	-
Effects of group relief/other reliefs	131	-
Amounts not recognised	42	-
Tax expense (income) in the income statement	115	394

Factors that may affect future tax charges

In the March 2021 Budget, it was announced that legislation would be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment was after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%. If the amended tax rate had been used, the deferred tax asset would have been £104,131 higher in relation to timing differences which are expected to reverse after 2021.

	2020 £000	2019 £000
Deferred income tax assets / (liabilities)		
Asset as at start of period	335	309
Adjustment in respect of prior years	2	70
Deferred tax charge to the income statement for the period	(7)	(44)
Asset as at end of period	330	335

	2020 £000	2019 £000
Deferred income tax assets		
Accelerated capital allowances	324	331
Other timing differences	6	4
Deferred income tax assets	330	335

Unrecognised deferred tax assets at 31 December 2020 in relations to unrecognised losses amounted £44,000 (2019: £1,400).

8. Property, plant & equipment

Property, plant & equipment comprises owned and right-of-use assets that do not meet the definition of investment property.

	Owned land & buildings	Owned plant & equipment	Owned rental equipment	Right-of-use land & buildings	Right-of-use plant & equipment	Total
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Cost						
At 1 January 2020	477	329	8,382	832	113	10,133
Additions	7	-	39	-	-	46
Disposals	-	-	(719)	-	-	(719)
At 31 December 2020	484	329	7,702	832	113	9,460
Aggregate depreciation						
At 1 January 2020	451	291	7,126	230	6	8,104
Charge for year	12	12	350	231	23	628
Disposals	-	-	(675)	-	-	(675)
At 31 December 2020	463	303	6,801	461	29	8,057
Net book value at 31 December 2019	26	38	1,256	602	107	2,029
Net book value at 31 December 2020	21	26	901	371	84	1,403

The Company leases Buildings, Vehicles, Forklift Trucks and Photocopiers. The current and non-current lease liabilities are disclosed in note 12. The following table shows the breakdown of the lease expense between amounts charged to operating profit and amounts charged to finance costs in the year.

	2020
	£000
Depreciation of right-of-use assets	254
Expenses relating to short-term leases	9
Expenses relating to lease of low value assets, excluding short-term leases of low value	18
Charge to operating loss	281
Finance cost - interest expense related to lease liabilities	16
Charge to loss before tax	297

9. Cash at bank and on hand

	2020	2019
	£000	£000
Cash at bank	802	-
	802	-

10. Inventories

	2020 £000	2019 £000
Finished goods	1,330	2,749
	1,330	2,749

Inventories are stated after provisions for impairment of £887,000 (2019: £766,000).

11. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	1,146	4,296
Contract assets	287	432
Amounts receivable from group undertakings	211	28,446
Tax receivable	-	37
Prepayments	190	68
	1,834	33,279

The Company has recognised the following assets in relation to contracts with customers.

	2020 £000	2019 £000
Accrued income	287	432
	287	432

Trade receivables are stated after provisions for impairment of £109,000 (2019: £97,000).

All amounts are recoverable within one year.

Until 5 December 2020, amounts owed from group undertakings were unsecured, bore interest at a rate of 3 month GBP LIBOR +0.65% and were repayable on demand. After 5 December 2020, they were unsecured and repayable on demand.

Impairment of trade & other receivables

Amounts owed by subsidiaries and other Weir group undertakings relate to cash balances subject to group cash pooling arrangements and trading balances with other group trading entities. Intercompany balances are typically managed on a Group basis, and the Company's credit risk management practices reflect this. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all such receivables.

The trading balances owed by subsidiaries and other group undertakings do not carry an interest charge, and it is the Company's expectation that materially all the amounts owed by subsidiaries are fully recoverable over time. Expected credit losses at 31 December 2020 are therefore immaterial, and there has been no material change to the expected loss allowance during the year.

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

i) trade receivables for sales of products and services; and

ii) contract assets relating to rental and equipment refurbishment contracts.

Credit risk is managed on the following basis: if wholesale customers are independently rated, these ratings are used; otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The compliance with credit limits by customers is regularly monitored by line management.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics.

The contract assets relate to unbilled equipment rental and refurbishment revenues and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Due to the way in which these contracts are managed, expected credit loss is included within the loss allowance for trade receivables.

For short-term trade receivables, historical loss rates might be an appropriate basis for the estimate of expected future losses. These are then adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As such, one methodology applied is the use of a provision matrix, where different loss rates are applied depending on the number of days that a trade receivable is past due. Alternatively the expected credit loss is calculated on an individual customer basis based on historical loss data for that customer, their receivables ageing, and any other knowledge of the customer's current and forecast financial position.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the GDP and the unemployment rate of the countries in which it sells its goods and services / diesel price and oil rig counts] to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 365 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The gross carrying amount of trade receivables, for which the loss allowance is measured at an amount equal to the lifetime expected credit losses under the simplified method, is analysed below:

Ageing of gross carrying amount of trade receivables by days past due

	2020 £000	2019 £000
Not past due	881	3,387
Up to 3 months past due	301	927
Between 3 & 6 months past due	42	28
More than 6 months past due	31	51
	1,255	4,393

Reconciliation of opening to closing loss allowance for trade receivables

	2020 £000	2019 £000
Balance at the beginning of the year	97	87
Impairment losses recognised on receivables	65	102
Amounts written off as uncollectable	-	(16)
Amounts recovered during the year	(53)	(76)
Balance at the end of the year	109	97

12. Financial liabilities

	2020 £000	2019 £000
Amounts due are repayable as follows		
Current		
- lease liability	256	251
Non-current		
More than one year but not more than two years		
- lease liability	134	256
More than two years but not more than five years		
- lease liability	40	174
	430	681
Less current instalments due on		
- lease liability	256	251
	174	430

13. Trade and other payables

	2020 £000	2019 £000
Trade payables	45	106
Payments received on account	34	34
Amounts owed to group undertakings	353	4,323
Tax payable	234	333
Accruals & deferred income	269	603
	935	5,399

Until 5 December 2020, amounts owed to group undertakings were unsecured, bore interest at a rate of 3 month GBP LIBOR +0.65% and were repayable on demand. After 5 December 2020, they were unsecured and repayable on demand.

14. Derivatives

	2020 £000	2019 £000
Current assets		
Cross currency swaps	-	91
Forward foreign currency contracts	-	83
	-	174
Current liabilities		
Cross currency swaps	-	(23)
Forward foreign currency contracts	-	(50)
	-	(73)

The figures in the above table are inclusive of derivative financial instruments where the counterparty is a subsidiary of The Weir Group PLC.

15. Called up share capital

Allotted, called up and fully paid	2020 £000	2019 £000
1,000 (2019: 1,000) ordinary shares of £1.00 each	1	1
	1	1

16. Dividends

The Company paid dividends of £27,300,000 (2019: Nil) during the year to its immediate parent company, SPM Flow Control Inc. These amounts were fully paid during the year, and no further dividends were outstanding at year end (2019: Nil). No further dividends are proposed at the date of approval of the accounts (2019: Nil).

17. Contingent liabilities

At the prior balance sheet date, the Company was a member of a group of UK cash pool arrangements as a subsidiary of the Weir Group plc and had jointly and severally given guarantees of the net overdraft amount of the pool up to a maximum of £5.0m. This arrangement was discontinued in December 2020.

18. Related party disclosures

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

19. Ultimate group undertaking

As outlined in the Strategic report and note 20, the Company was sold to Caterpillar Inc. as part of The Weir Group PLC's disposal of its Oil & Gas division. Until the date of sale on 1 February 2021, the Company's immediate parent was SPM Flow Control, Inc and ultimate parent undertaking and controlling party was The Weir Group PLC. The Company's results for the year ended 31 December 2020 are only consolidated within the Weir Group PLC's financial statements which are available to the public and may be obtained from The Weir Group PLC, 1 West Regent Street, Glasgow, G2 1RW.

Following the sale on 1 February 2021, the immediate parent undertaking remained SPM Flow Control, Inc. and the ultimate parent undertaking and controlling party is Caterpillar Inc.

20. Events after the balance sheet date

On 5 October 2020, the Company's ultimate parent undertaking as at the previous Balance Sheet Date, The Weir Group PLC, announced an agreement had been entered into to sell its Oil & Gas division to Caterpillar Inc., for an enterprise value of US$405m, subject to customary working capital and debt-like adjustments at closing. This transaction was completed on 1 February 2021, with Caterpillar Inc becoming the company's ultimate parent undertaking at that point.

On 6 April, 2021, the company changed its legal name from Specialised Petroleum Manufacturing Limited to SPM Oil & Gas Scotland Limited.