

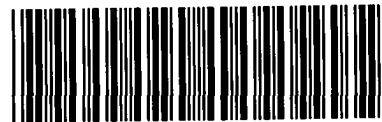


OPITO Limited

**Annual report and financial statements
for the year ended 31 December 2019**

Registered Number SC152175

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OPITO Limited

Annual report and financial statements for the year ended 31 December 2019

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Directors and Advisors for the year ended 31 December 2019

Directors

M. Horgan (Chairman)
J. Taylor
N. Gordon
K. Dey
R. Graves
G. Holman
S. M. Jones
M. Abraham
S. McGinigal
V. Fraser
C. Cohen
A. Dempster

Company Secretary and Registered Office

D. Thow
Minerva House
Bruntland Road
Portlethen
Aberdeenshire
AB12 4QL

Solicitors

Ledingham Chalmers
Johnstone House
52-54 Rose Street
Aberdeen
AB10 1HA

Independent Auditors

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Bankers

Bank of Scotland
31 High Street
Montrose
DD10 8LT

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Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements for the year ended 31 December 2019. This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

The company is a wholly owned subsidiary of OPITO Strategic Limited and is included in the consolidated financial statements of OPITO Strategic Limited which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Principal activities

During 2019, the principal activities of the company remained focused on initiatives regarded as critical by the UK oil and gas industry.

The principal activities of the organisation during 2019 were:

- The design, development and maintenance of OPITO industry Standards for emergency response, hazardous activities and occupational job roles
- Quality assurance of learning delivery for the industry Standards
- Assessment and approval of in-house competence management systems
- The design, development and maintenance of Petroleum Open Learning products
- Management of pan-industry skills and workforce development initiatives, and
- Influencing and advising Scottish and UK governments and their agencies
- Engaging with academic institutions on the skills needs of the oil and gas industry and wider energy sector, contributing to a net-zero future

Review of business

Throughout 2019 the oil and gas industry continued to adapt to the changing business environment. The industry drive to improve efficiency and productivity meant innovation and new ways of working continued to be a focus of activity. Operating cost reductions were sustained, with unit operating costs at around \$15-16/boe in 2019. Across the industry, production was boosted by new projects, with efficiency at 75% - the highest for a decade.

OPITO's business demand is directly related to the activity levels of the industry in terms of people employed within it. In the UK, OPITO training registrations were down by 12% compared to 2018. This decrease can be wholly attributed to the drop in number of MIST registrations in 2019 on the 4-year refresher cycle compared to the prior year. Excluding this, the registrations remained constant, year on year.

The target set for new course approvals was exceeded, with 15 new approvals in 2019. OPITO developed eight new industry Standards and reviewed 15 existing industry Standards. The organisation also developed three new OPITO qualifications, developed a processing qualification framework and collaborated with the International Association of Drilling Contractors (IADC) to create a Roustabout Skills Question Bank. During 2019, OPITO successfully secured credit rating body status with the Scottish Credit and Qualifications Framework (SCQF), allowing the company to credit-rate OPITO products and qualifications.

Directors' report for the year ended 31 December 2019 (continued)

To support efforts to ensure that the workforce of the future has the right skills, Offshore Training Foundation, the parent company of OPITO Limited, published the UKCS Workforce Dynamics: Skills Landscape 2019-2025 report. The report found that advances in technology, internationalisation and the transition to a lower-carbon future are accelerating changing skills demands in the oil and gas industry and wider energy sector. It also highlighted an increased requirement to supplement traditional teaching methods with simulation, augmented reality, virtual reality and online training.

As with the rest of industry, OPITO appreciates that this growing optimism is fragile, with the ongoing unpredictable nature of the barrel price and other external geo-political factors influencing the future of the industry. In support of the company's long-term strategy, the Strategic Development function was created to support the extension of the company's workforce development activity and to identify new opportunities and markets for its products. Staff were recruited in 2019 to support this activity.

Future Developments

OPITO continues to support the global workforce and strives to address the skills agenda in areas regarded as critical by the industry. The view of OPITO is that the skills agenda is a long-term investment in the industry and, as such, the organisation will continue to provide the range of OPITO products and services to the industry. In 2019, this included the establishment of The Energy Skills Alliance Leadership Group. Led by OPITO, the group's mission is to develop a single, compelling proposition for careers in the UK energy industry.

The key source of income for the organisation remains the central registration system of offshore personnel who have completed the industry emergency response, safety, hazardous activity and technical training programmes. The Strategic Development function will identify and assess new business opportunities across OPITO's global operations: Americas, UK & Europe, Middle East & Africa and Asia Pacific.

OPITO's UKCS Workforce Dynamics report acts as a call to action for the industry and the company will seek to engage government, their agencies, the workforce, industry and education and training institutions to deliver on the actions identified to ensure that the workforce is ready to take advantage of future opportunities. This will also inform OPITO's activity moving forward, to ensure that the organisation continues to meet the needs of industry.

Risks and Uncertainties

The number of delegates trained to Industry (OPITO) Standards is directly related to activity levels in the industry, which is greatly influenced by the BOE price and global competition for inward investment.

While OPITO has no influence in the BOE price or activity levels, it does support the global industry in ensuring that the workforce is trained to safely deliver. Last year, more than 375,000 industry workers were trained globally to OPITO Standards.

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Directors' report for the year ended 31 December 2019 (continued)

Risks and Uncertainties (continued)

OPITO continues to monitor costs and operate efficiently to remain self-sufficient. Should there be a significant further long-term reduction in the BOE price or unforeseen incidents in the geo-political landscape which impact activity then the threat would be managed as highlighted in the table below.

Business Area	Potential threat	Probability Low/Med/ High	Impact	Risk Assessment Low/Med/ High	Mitigation
Central Registrations	Loss of registration income due to significant industry downturn and redundancies	Medium	<ul style="list-style-type: none"> Impact on all OPITO operations due to significant and immediate reduction in registrations Possible staff redundancies 	High	<ul style="list-style-type: none"> Annual cash surplus is sufficient to accept a 10% loss in income Short-term cash supplement from reserves should loss of income exceed 25% Over 25% loss of income over a 6-month period would result in human resource rationalisation

Financial Risk Management

The following statements summarise the company's policy in managing identified forms of financial risk:

Price risk

Price risk regards escalation of costs of products and services supplied to the company is low due to the robust tendering process and effective contract management processes.

Credit Risk

Credit risk on amounts owed to the company by its customers is low as debtor balances are managed by finance and these companies are servicing a near-mandatory training requirement for the oil and gas industry including Blue Chip organisations.

Liquidity risk

The company has no long-term borrowing.

Interest rate cash flow risk

The company is able to place surplus funds on short-term deposit with the company's bankers. While interest rates continue to be low, the company seeks to maximise returns without increasing its risk profile.

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Directors' report for the year ended 31 December 2019 (continued)

Human resources

The company's most important resource is its people. Retention of key staff is critical and the company continues to invest in employee training and development and has introduced appropriate incentive and career progression arrangements.

OPITO aims to promote a more inclusive and diverse industry, welcoming applications from all and appoints based on merit.

Going Concern and COVID-19

The COVID-19 outbreak, and the resultant impact on global oil and gas demand, is unprecedented and is a highly fluid situation. OPITO has moved quickly to adapt and support the industry, the training provider network and its employees, learning from its previous experiences in responding to industry downturns.

The company has generated significant reserves over the years and the majority of these trading assets are liquid, mitigating any short-term cash flow issues.

The effect of COVID-19 on the organisation's finances should be seen as an exceptional set of circumstances which will result in a short-term loss in 2020. Additionally, the impact of the low commodity price presents a further challenge, however it is one which OPITO has successfully responded to in previous downturns. As a result, OPITO believes that it is well-placed to respond to both COVID-19 and the low commodity price.

OPITO has taken immediate action to protect the organisation and will continue to closely manage costs in the coming months.

The organisation's long-term ambition to grow and diversify remains unchanged and must continue to position itself as the energy industry's partner of choice for standards and skill.

Following consideration of the possible impacts of COVID-19 and the mitigations in place, the directors believe that the company will be able to meet its obligations and continue in operations for at least 12 months from the approval of these financial statements. Accordingly, they have adopted the basis of going concern when preparing the financial statements.

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Directors' report for the year ended 31 December 2019 (continued)

Safety and the Environment

OPITO is committed to playing a major role in ensuring it supports industry by developing a safe and skilled workforce and supports industry efforts and initiatives. It does this by:

- Ensuring all OPITO-approved training centres are well managed, preventative environmental practices are applied and all industry employees are training in a safe and controlled environment
- Ensuring all occupational standards, training standards and assessment standards are fully aligned to the needs of the workplace and promote the use of safe and environmentally friendly practices
- Ensuring all training delivered to OPITO Standards e.g. emergency response Standards and Minimum Industry Safety Training effectively prepare the individual to travel safely, work safely and effectively respond to alarms and workplace controls, and
- Ensuring all OPITO trainees are continually mentored in the importance of working safely, promoting safety leadership and respecting the environment

The employees, senior management and board of directors of OPITO are committed to ensuring the office environment continues to be a safe place to work. It does this through a culture of openness, participation and involvement where everyone has a responsibility for safety.

Policies and procedures are continually reviewed to ensure their effectiveness, supplementing in-house skills and knowledge with the advice and guidance of safety professionals, where necessary.

There were no reported lost time accidents or near miss incidents in 2019. OPITO continues to seek ways to improve its environmental performance and frequently reviews its policies and compliance with UK legislation on waste segregation.

Results and dividends

The directors do not recommend the payment of a dividend (2018: £nil). The loss for the financial year of £1,858,092 (2018: £877,935 profit) has been taken to reserves.

Directors

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

M. Horgan	Chairman
J. Taylor	
N. Gordon	
K. Dey	
R. Graves	
G. Holman	
S. M. Jones	
M. Abraham	
S. McGinigal	
V. Fraser	Appointed 15 April 2019
C. Cohen	Appointed 17 April 2019
A. Dempster	Appointed 17 May 2019

No directors held beneficial interests in the shares of the company at 31 December 2019, or at any time during the year.

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

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Directors' report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 United Kingdom Accounting Standards, comprising FRS 102, 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 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information
- This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the Board



M. Horgan

Chairman and Director
14 May 2020

Independent auditors' report to the members of OPITO Limited

Report on the audit of the financial statements

Opinion

In our opinion, OPITO Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of income and retained earnings 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

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

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Independent auditors' report to the members of OPITO Limited
(continued)

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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2019 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 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 set out on page 9, 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.

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Independent auditors' report to the members of OPITO Limited
(continued)

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.

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 received 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.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.



Matthew Kaye (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
14 May 2020

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Statement of income and retained earnings
for the year ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	4,897,602	4,633,790
Administrative expenses		(4,416,818)	(3,576,603)
Exceptional expenses	5	(2,280,915)	-
Operating (loss)/profit	5	(1,800,131)	1,057,187
Interest receivable and similar income	8	36,732	25,989
(Loss)/profit before taxation		(1,763,399)	1,083,176
Tax on profit	9	(94,693)	(205,241)
(Loss)/profit for the financial year		(1,858,092)	877,935
Retained earnings at 1 January	16	5,362,042	4,484,107
(Loss)/profit for the financial year	16	(1,858,092)	877,935
Retained earnings at 31 December	16	3,503,950	5,362,042

All of the company's operations relate to continuing activities.

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Balance sheet as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Tangible Assets	10	126,575	34,872
Investments	11	1	1
		126,576	34,873
Current assets			
Debtors	12	802,435	776,810
Cash at bank and in hand		5,563,443	5,303,978
		6,365,878	6,080,788
Creditors : Amounts falling due within one year	13	(2,837,776)	(618,828)
Net current assets		3,528,102	5,461,960
Total assets less current liabilities		3,654,678	5,496,833
Deferred tax liability	14	(20,728)	(4,791)
Net assets		3,633,950	5,492,042
Capital and reserves			
Called up share capital	15	130,000	130,000
Retained earnings	16	3,503,950	5,362,042
Total shareholders' funds	17	3,633,950	5,492,042

The financial statements on pages 13 to 27 were approved by the Board of Directors on 14 May 2020 and were signed on its behalf by:



M. Horgan
Chairman and Director
14 May 2020

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Notes to the financial statements for the year ended 31 December 2019

1 General information

OPITO Limited is a private company limited by shares and is incorporated in Scotland, United Kingdom. The address of its registered office is Minerva House, Bruntland Road, Portlethen, Aberdeenshire, AB12 4QL.

2 Statement of compliance

The financial statements of OPITO Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Principal accounting policies

The financial statements have been prepared under the historical cost convention, on the going concern basis. No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors. A summary of the more important accounting policies which have been applied consistently, is set out below.

FRS 102 disclosure exemptions

As the company is a qualifying entity, as defined by FRS 102, and its results are consolidated within its ultimate parent's publicly available consolidated financial statements (see Note 20), all relevant disclosure exemptions are taken as noted in FRS 102 section 1.12.

Operating leases

Operating leases are charged on a straight line basis over the lease term.

Turnover

Turnover which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Turnover is recognised when, and to the extent that, OPITO Limited obtains the right to consideration in exchange for its performance, the amount of revenue can be reliably measured, and it is probable that the future economic benefits will flow to the Company.

Tangible assets and depreciation

The cost of tangible assets is their purchase cost or transfer value, together with any incidental expenses of acquisition. Assets costing more than £100 are capitalised within fixed assets.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, as follows:

Computer equipment	3 years
Fixtures & Fittings	3 years
Office equipment	10 years
Kitchen Equipment	10 years

Fixed asset investments

Investments in subsidiary undertakings are included at cost except where provision is made against an identified impairment in value.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

3 Principal accounting policies (continued)

Deferred taxation

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

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.
- On the basis of all available evidence deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Financial instruments

OPITO Limited has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are recognised at transaction price and subsequently carried at amortised cost. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. The impairment loss is recognised in profit or loss.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price and subsequently carried at amortised cost. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Foreign exchange

Transactions in overseas currencies are translated into Sterling at average rates of exchange during the year. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date or at a contracted rate if applicable and any exchange differences arising are taken to the profit and loss account.

Pension costs

Until March 2017, the company was a participating employer in a defined benefit scheme, the ITB Pension Scheme. Contributions were made at the agreed rate for the scheme, and were charged to the profit and loss account so as to spread the costs of pensions over employees' working lives. The Board decided in November 2019 to serve notice to terminate participation in this multi-employer scheme and actioned this formally on 5 December 2019 triggering a 3 month exit-period with the company exiting the scheme on 5 March 2020. The resultant exit charge plus associated professional advisor expenses have been accrued in full in the year. From April 2017, the company has operated a defined contribution scheme and contributions are charged to the profit and loss account in the period to which they relate.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

3 Principal accounting policies (continued)

Judgements and Key Sources of estimation of uncertainty

The Company is subject to routine tax audits and also a process whereby tax computations are discussed and agreed with the appropriate authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of provision required for both current and deferred tax on the basis of professional advice and the nature of current discussions with the tax authority concerned. Details of the carrying value are contained in note 9.

Going Concern and COVID-19

The COVID-19 outbreak, and the resultant impact on global oil and gas demand, is unprecedented and is a highly fluid situation. OPITO has moved quickly to adapt and support the industry, the training provider network and its employees, learning from its previous experiences in responding to industry downturns.

The company has generated significant reserves over the years and the majority of these trading assets are liquid, mitigating any short-term cash flow issues.

The effect of COVID-19 on the organisation's finances should be seen as an exceptional set of circumstances which will result in a short-term loss in 2020. Additionally, the impact of the low commodity price presents a further challenge, however it is one which OPITO has successfully responded to in previous downturns. As a result, OPITO believes that it is well-placed to respond to both COVID-19 and the low commodity price.

OPITO has taken immediate action to protect the organisation and will continue to closely manage costs in the coming months.

The organisation's long-term ambition to grow and diversify remains unchanged and must continue to position itself as the energy industry's partner of choice for standards and skill.

Following consideration of the possible impacts of COVID-19 and the mitigations in place, the directors believe that the company will be able to meet its obligations and continue in operations for at least 12 months from the approval of these financial statements. Accordingly, they have adopted the basis of going concern when preparing the financial statements.

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Notes to the financial statements
for the year ended 31 December 2019 (continued)

4 Turnover

	2019 £	2018 £
Geographical analysis:		
UK	4,564,267	4,183,005
Overseas	333,335	450,785
	4,897,602	4,633,790
	2019 £	2018 £
Class of Business:		
Training services	4,897,602	4,633,790

5 Operating profit

	2019 £	2018 £
Operating profit is stated after charging:		
Operating lease rentals	100,080	99,710
Depreciation	24,178	11,647
Auditors' remuneration – Fees payable for the audit	15,995	13,915
Non-audit fees – Fees payable for taxation compliance	11,383	11,167
Non-audit fees – Fees payable for pensions/taxation advice	25,209	-
<u>Audit Fees</u>		
OPITO Strategic Limited	4,423	3,524
OPITO Enterprises Limited	4,423	3,524
OPITO Limited	7,149	5,696
OPITO Limited pension audit	-	1,171
	15,995	13,915
<u>Exceptional expenses</u>		
Pension scheme exit charge and associated expenses (note 19)	2,280,915	-

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Notes to the financial statements
for the year ended 31 December 2019 (continued)

6 Directors' emoluments

The directors did not receive any emoluments in respect of their services to the company (2018: £nil).

7 Employee information

The average monthly number of persons employed by the company during the year is analysed below:

	2019 Number	2018 Number
Administration	8	11

Employment costs

	2019 £	2018 £
Wages and salaries	606,029	696,712
Social security costs	59,288	89,143
Other pension costs	46,448	56,364
Total direct costs of employment	711,765	842,219

Additionally, staff costs of £1,984,858 were recharged by OPITO Enterprises Limited for 31 staff employed by OPITO Enterprises Limited who undertake services for OPITO Limited (2018: £1,399,566 for 22 staff)

Key management compensation

Key management includes the directors and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2019 £	2018 £
Salaries and short term benefits	950,280	803,967
Remuneration for loss of office	64,393	99,000
Post-employment benefits	10,000	58,152
	1,024,673	961,119

Effective, 1st July 2017, the management of the OPITO group moved from a regional structure to a directorate structure with a global remit. The senior management are all now UK based and included in the above figures with a proportionate element recharged to OPITO overseas entities for their services.

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Notes to the financial statements
for the year ended 31 December 2019 (continued)

8 Interest receivable and similar income

	2019 £	2018 £
Bank interest	36,591	25,475
Other interest	141	514
Total interest receivable	36,732	25,989

9 Tax on profit

a) Tax expense included in profit or loss

	2019 £	2018 £
Current tax		
UK corporation tax on profits of the year	78,756	191,363
Deferred tax		
Origination and reversal of timing differences	17,812	14,441
Change in tax rates or laws	(1,875)	(563)
Tax on profit	94,693	205,241

The tax assessed is higher (2018: lower) than the standard rate of corporation tax in the UK 19% (2018: 19%).
The differences are explained below:

b) Reconciliation of tax charge

	2019 £	2018 £
(Loss)/profit before taxation	(1,763,399)	1,083,176
Profit multiplied by corporation tax rate 19% (2018: 19%)	(335,046)	205,804
Effects of:		
Deferred tax not recognised on pension exit charge	431,614	-
Tax rate changes	(1,875)	(563)
Total tax charge for the year	94,693	205,241

OPITO has taken a prudent approach and not recognised the deferred tax asset on the pension exit costs of £2,280,915 accrued in 2019.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

9 Tax on profit (continued)

The reserves were purposely built up over a number of years to cover this exit charge and the extent of the company's future profitability is presently unclear. The company, which operates on a not-for-profit basis, also may revert back to making gift aid claims to its charitable parent company, wherever possible, leaving any future taxable profits to utilise any deferred tax asset as negligible.

10 Tangible assets

	Computer Equipment £	Office Equipment £	Fixtures & Fittings £	Kitchen Equipment £	Total £
Cost					
At 1 January 2019	146,561	47,321	17,146	4,108	215,136
Additions	59,874	32,923	13,630	10,480	116,907
Disposals	(1,086)	-	-	-	(1,086)
At 31 December 2019	205,349	80,244	30,776	14,588	330,957
Accumulated Depreciation					
At 1 January 2019	119,556	40,525	16,811	3,372	180,264
Charge for year	18,791	2,077	2,273	1,037	24,178
On Disposals	(60)	-	-	-	(60)
At 31 December 2019	138,287	42,602	19,084	4,409	204,382
Net book value					
At 31 December 2019	67,062	37,642	11,692	10,179	126,575
At 31 December 2018	27,005	6,796	335	736	34,872

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Notes to the financial statements
for the year ended 31 December 2019 (continued)

11 Investments

	2019 £	2018 £
Cost and net book value		
At 1 January & 31 December	1	1

OPITO Enterprises Limited is a 100% wholly owned subsidiary of OPITO Limited and was incorporated on 13 May 2011 in Scotland, its registered office is at Minerva House, Bruntland Road, Portlethen, Aberdeenshire, AB12 4QL. The directors believe that the carrying value of the investments is supported by their underlying net assets.

12 Debtors

	2019 £	2018 £
Trade debtors	299,019	501,498
Amounts owed by group undertakings	475,215	147,347
Prepayments and accrued income	28,201	127,965
	802,435	776,810

Trade debtors are non-interest bearing and are generally on 30 days payment terms.

Amounts owed by group undertakings are non-interest bearing and are repayable on demand

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Notes to the financial statements
for the year ended 31 December 2019 (continued)

13 Creditors: Amounts falling due within one year

	2019 £	2018 £
Trade creditors	327,436	118,489
Taxation and social security	134,617	286,022
Accruals and deferred income	2,375,723	214,317
	2,837,776	618,828

Trade creditors are non-interest bearing and are normally settled on 30 days terms.

Accruals included an amount of £2,280,915 for the pension scheme exit charge and associated expenses (see Note 19).

Taxation and social security is made up as follows:	2019 £	2018 £
UK corporation tax	12,642	110,111
PAYE and social security	85,015	78,538
Value added tax	36,960	97,373
	134,617	286,022

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Notes to the financial statements
for the year ended 31 December 2019 (continued)

14 Deferred tax liability

	2019 £	2018 £
Analysis of deferred tax balances		
Accelerated capital allowances	20,728	4,791
Provision timing differences	-	-
Total	20,728	4,791
 Opening balance at 1 January	 4,791	 (9,087)
Profit and loss account	15,937	13,878
Closing balance at 31 December	20,728	4,791

Deferred tax liability outflows are dependant upon future trading and movements in depreciation and capital allowances.

15 Called up share capital

	2019 £	2018 £
Authorised		
130,000 (2018: 130,000) ordinary shares of £1 each	130,000	130,000
Allotted, called up and fully paid		
130,000 (2018: 130,000) ordinary shares of £1 each	130,000	130,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

16 Retained earnings

	2019 £	2018 £
At 1 January	5,362,042	4,484,107
(Loss)/profit for the financial year	(1,858,092)	877,935
At 31 December	3,503,950	5,362,042

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Notes to the financial statements
for the year ended 31 December 2019 (continued)

17 Reconciliation of movements in shareholders' funds

	2019 £	2018 £
Opening shareholders' funds	5,492,042	4,614,107
(Loss)/profit for the financial year	(1,858,092)	877,935
Closing shareholders' funds	3,633,950	5,492,042

18 Lease commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2019 £	2018 £
Not later than one year	101,190	98,008
Later than one year and not later than five years	220,474	309,007
Total	321,664	407,015

19 Pensions

The company participated in the ITB Pension Scheme, a defined benefit scheme. The assets of the scheme are in a separate trustee-administered fund. It was not possible to identify each participating employer's share of the underlying assets and liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme. The cost recognised in the profit and loss account being equal to the contributions payable to the scheme for the year.

The latest actuarial valuation of the scheme was at 31 March 2019.

Under the methodology and assumptions set out in the draft Statement of Funding Principles, the provisional results show a funding surplus of £21.3 million, a funding improvement of 11.6 million since 31 March 2016, equivalent to a funding level of 105%.

Details of the Fund's assets at 31 March 2019 have been taken from the Fund's audited financial statements for the year ended 31 March 2019. The market value of the Fund's assets decreased from £937.6 million at 31 March 2016 to £484.7 million at 31 March 2019.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

19 Pensions (continued)

At 31 March 2019, 5% of the Fund's assets by market value were invested in return-seeking assets (equities, property and alternative return-seeking assets). The remaining 95% was invested in matching assets (gilts and bonds) and cash.

The solvency level was estimated to be 86% at 31 March 2019 (an increase from 77% at March 2016). This provides an estimate of the accrued rights that would have been covered by the Fund's assets had the Fund's benefits been bought out with an insurer at the valuation date.

The company exited the 2007 scheme as at 31 March 2017 and transferred all staff to a defined contribution scheme effective 1 April 2017 with company contributions of 10%.

The total Pension cost for the company was £46,448 (2018: £56,364). This includes £nil (2018: £nil) outstanding contributions at the balance sheet date.

The Board decided in November 2019 to serve notice to terminate participation in this multi-employer scheme and actioned this formally on 5 December 2019 triggering a 3 month exit-period with the company exiting the scheme on 5 March 2020. The resultant exit charge of £2.2m plus associated professional advisor expenses of £80,915 have been accrued in full in the year.

All staff in the scheme were also subsequently transferred into an equivalent defined contribution scheme in March 2020.

20 Ultimate parent company and ultimate controlling party

The immediate parent undertaking is Offshore Training Foundation, a charitable company incorporated in Scotland.

The ultimate parent undertaking and controlling party is OPITO Strategic Limited a company incorporated in Scotland. The ultimate and immediate parents have three members representing Oil & Gas UK, IUOOC and IADC.

OPITO Strategic Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of OPITO Strategic Limited are available from Minerva House, Bruntland Road, Portlethen, Aberdeenshire, AB12 4QL.

Offshore Training Foundation is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 December 2019. The consolidated financial statements of Offshore Training Foundation can be obtained from Minerva House, Bruntland Road, Portlethen, Aberdeenshire, AB12 4QL.

Notes to the financial statements
for the year ended 31 December 2019 (continued)

21 Related party transactions

The company has taken advantage of the exemption under FRS 102 section 33.1A not to disclose details of intra-group transactions on the grounds that it is a subsidiary where 100% of the voting rights are controlled by Offshore Training Foundation.

There are no other related party transactions.

22 Subsequent events

Coronavirus was declared a pandemic in March 2020. As the pandemic accelerated after the year end this event has been classified as a non-adjusting post balance sheet event. As disclosed in the Directors' Report, the directors have considered the future financial impact to the Company of the Coronavirus.

OPITO's financial position is sound, and it views the effects of COVID-19 on the organisation's finances as exceptional, expecting this to result in a short-term loss in 2020 although the exact financial impact is not yet sufficiently certain to disclose.

The organisation does not underestimate the challenge of the low commodity price however it judges that it is in a strong position to respond to this. OPITO is confident that it will see a significant upturn in registrations once restrictions are removed.

The Company exited the multi-employer pension scheme on 5 March 2020, with the exit charge paid of £2.2m matching that accrued as at 31 December 2019. Further details of the exit terms are provided in note 19.