



Omega Well Monitoring Limited

Report and financial statements

Year ended 31 December 2021

Registered number SC192323



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Directors and advisors

Directors

C Bernert
D R Janicek
C Domke
D Sweeney

Registered office

1 George Square
Glasgow
G2 1AL

Company secretary

Dentons Secretaries Limited
One Fleet Place
London
EC4M 7WS

Independent auditor

Ernst & Young LLP
4th Floor
2 Marischal Square
Broad Street
Aberdeen
AB10 1BL

Solicitor

Dentons UK and Middle East LLP
1 George Square
Glasgow
G2 1AL

Bankers

HSBC Bank Plc
2 Queens Road
Aberdeen
AB15 4ZT

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2021.

The company has met the requirements in the Companies Act 2006 to obtain the exemption provided, based on its size, from the presentation of a strategic report.

Principal activities

The principal activities of the company are the design, manufacture, sale and rental of specialist pressure and temperature monitoring tools.

Dividend

No dividends were paid during the year (2020: £nil)

Business review and results

The profit after tax for the financial year amounted to £176,000 (2020: £16,000). This has been driven by an increase in revenue as we bounce back from the initial effects of the Covid-19 global pandemic in 2020. The general improvement in industry assisted the business in improving its margins and delivering an improved financial performance.

Principal risks and uncertainties

Market for sustainable growth

Uncertainties in oil and gas commodity prices which influence demand for services together with geographical and political risks arising from operating in overseas locations.

Foreign exchange

The company's primary cash flow risks arise from changes in foreign currency exchange rates. The exchange rate risks are partly mitigated by the business having most of its income and costs in one currency. In situations where there is a significant mismatch between currency of income and currency of expenditure the group will use foreign exchange forward contracts to hedge that exposure.

Covid-19

Following the outbreak of COVID-19 (Coronavirus) in 2020, the company along with the wider oil and gas industry has witnessed unprecedented macro-economic uncertainty. The effect the global pandemic and the downward trend in oil price, will have on the company's future business is currently uncertain. However, the company's management team have a comprehensive plan in place to guide the business through this difficult period.

Credit risk

The principal financial assets are cash, trade and other debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the company's Balance Sheet are net of allowances for doubtful receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings. The company has no significant concentration of credit risk, with exposure spread over a number of customers.

Directors' report (*continued*)

Going Concern

The company continues to adopt the going concern basis in preparing its annual financial statements on the basis that the directors consider that the company has adequate resources to continue its operations for the foreseeable future.

The company continues to receive financial support from its parent company Reservoir Group Limited. The directors have engaged with Reservoir Group Limited to understand the financial position of the wider group and have satisfied themselves that it has appropriate resources to support the company if required. This is evidenced by a healthy cash position at the time of issue of this report while the current year trading performance is well ahead of budget and prior year figures, with strong results in terms of turnover and profit growth.

The directors reviewed the effects of the Covid-19 pandemic which arose after the balance sheet date and do not consider the pandemic has materially impacted the going concern assessment of the company

The directors consider that the company has adequate financial resources available including stable operations which is expected to continue for the going concern period to 31 December 2023.

Directors

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

C Bernert

D R Janicek

C.Domke

K Nasr (resigned 18 February 2022)

D Sweeney (appointed 18 February 2022)

Employees

The company is committed to providing staff and management training designed to encourage the necessary attitudes and skills to foster good communication and consultation at all levels with a view to informing and involving staff in the progress of the company and its future. This is achieved through on the job training and through other local and national training and development initiatives. Communication with all employees is conducted through the regular dissemination of relevant information, announcements and meetings with management.

The company operates an equal rights policy for all its employees.

Disclosure of information to auditor

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 auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report (*continued*)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the board

A handwritten signature in black ink, appearing to read 'D. Sweeney', with a stylized flourish at the end.

D Sweeney
Director
19 October 2022

Statement of directors' responsibilities in respect of the report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Omega Well Monitoring Limited

Opinion

We have audited the financial statements of Omega Well Monitoring Limited for the year ended 31 December 2021 which comprise the Profit and loss Account and other comprehensive income, the Balance Sheet and the Statement of changes in equity and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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.

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 until 31 December 2023.

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

Other information

The other information comprises the information included in the Report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Omega Well Monitoring Limited (continued)

Other information (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the director's were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report to the members of Omega Well Monitoring Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

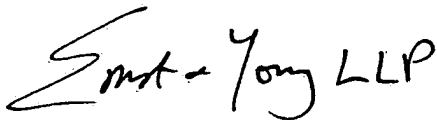
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the company has to comply with laws and regulations relating to its operations, including health and safety, employees, GDPR and anti-bribery and corruption.
- We understood how Omega Well Monitoring Limited is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures and corroborated responses by obtaining and reviewing supporting documentation including a review of board minutes and consideration of the results of our audit procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by making enquiries with management to understand and identify the internal policies and procedures related to the identification and monitoring of fraud risks. We also considered the opportunity and incentives for the perpetration of fraud based on our understanding of the business.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquiries with management, journal entry testing designed to identify unusual activity and lower testing thresholds applied to financial statement accounts with deemed higher risk of fraud. Transactions sampled were agreed to source documentation or independent confirmation, ensuring appropriate authorisation and to ensure transactions were valid and fully supportable.

Independent auditor's report to the members of Omega Well Monitoring Limited (continued)

Use of our report

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

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is stylized, with the "E" and "Y" being particularly prominent.

Kenneth MacLeod Hall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

19, October 2022

Profit and Loss Account and Other Comprehensive Income
for year ended 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Turnover	2	988	710
Cost of sales		(354)	(294)
Gross profit		634	416
Administrative expenses		(445)	(402)
Profit on ordinary activities before taxation	3	189	14
Tax (charge) / credit on profit on ordinary activities	5	(13)	2
Profit for the financial year and total comprehensive income		176	16

All items in the profit and loss account relate to continuing operations.

The notes on pages 13 to 25 form part of these financial statements.

Balance Sheet
at 31 December 2021

	<i>Note</i>	2021 £000	2020 £000
Fixed assets			
Tangible assets	<i>6</i>	76	132
Investment	<i>7</i>	4	4
		<hr/>	<hr/>
Current assets		80	136
Stocks	<i>8</i>	265	297
Debtors	<i>9</i>	1,612	1,385
Cash at bank and in hand		25	1
		<hr/>	<hr/>
Creditors: amounts falling due within one year	<i>10</i>	1,902 (64)	1,683 (77)
		<hr/>	<hr/>
Net current assets		1,838	1,606
		<hr/>	<hr/>
Net assets		1,918	1,742
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>13</i>	-	-
Profit and loss account		1,918	1,742
		<hr/>	<hr/>
Shareholders' funds		1,918	1,742
		<hr/>	<hr/>

The notes on pages 13 to 25 form part of these financial statements.

These financial statements were approved by the board of directors on 19 October 2022 and were signed on its behalf by:



D Sweeney
Director

Company Registered Number: SC192323

Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2020	-	1,726	1,726
Total comprehensive income for the year			
Profit for the financial year	-	16	16
	<hr/>	<hr/>	<hr/>
At 31 December 2020	-	1,742	1,742
	<hr/>	<hr/>	<hr/>
At 1 January 2021	-	1,742	1,742
Total comprehensive income for the year			
Profit for the financial year	-	176	176
	<hr/>	<hr/>	<hr/>
At 31 December 2021	-	1,918	1,918
	<hr/>	<hr/>	<hr/>

The notes on pages 13 to 25 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Omega Well Monitoring Limited (the “company”) is a company limited by shares and incorporated and domiciled in the UK with its registered office at 1 George Square, Glasgow G2 1AL.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these financial statements is pounds sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company’s immediate parent undertaking, Reservoir Group Limited, includes the company in its consolidated financial statements. The consolidated financial statements of Reservoir Group Limited are available to the public. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes;
- Key management personnel compensation;
- Related party transactions;
- Financial instruments; and
- The recon reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time.

The company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The company continues to adopt the going concern basis in preparing its annual financial statements on the basis that the directors consider that the company has adequate resources to continue its operations for the foreseeable future.

The company continues to receive financial support from its parent company Reservoir Group Limited. The directors have engaged with Reservoir Group Limited to understand the financial position of the wider group and have satisfied themselves that it has appropriate resources to support the company if required. This is evidenced by a healthy cash position at the time of issue of this report while the current year trading performance is well ahead of budget and prior year figures, with strong results in terms of turnover and profit growth.

The directors reviewed the effects of the Covid-19 pandemic which arose after the balance sheet date and do not consider the pandemic has materially impacted the going concern assessment of the company

The directors consider that the company has adequate financial resources available including stable operations which is expected to continue for the going concern period to 31 December 2023.

Notes (continued)

1 Accounting policies (continued)

1.3 Foreign currency

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible fixed assets (continued)

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Leasehold improvements 5 – 15 years straight line
- Plant and machinery 25% reducing balance
- Motor vehicles 3 years straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Intangible assets and goodwill

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- intellectual property rights 20 years

1.7 Investments

Investments are measured at cost less accumulated impairment.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

1 Accounting policies (continued)

1.9 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

1.10 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.11 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12 Turnover

Turnover represents the value of goods and services supplied under the company's ordinary activities after deduction of trade discounts and Value Added Tax.

Turnover comprises product sale and rental revenue and includes income for the sale of equipment lost downhole, as such events are considered part of normal trading activities.

1.13 Leases

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

1 Accounting policies (continued)

1.15 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements in applying the company's accounting policies

The following are the critical judgements, which the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue Recognition: Revenue for the provision of services is recognised based on the accounting period for which the rental of equipment or services of engineers relates.

Revenue for the provision of goods is recognised based on the date at which liability for those goods passes from the company to the customer. This corresponds with the date at which the customer signs a goods received note or similar document.

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

Impairment / recoverability of stock: The company makes an assessment of the recoverable value of stock. When assessing impairment of stock, management consider various factors including the ageing profile of stock items and historical experience. See Note 8 for the net carrying amount of stock.

Impairment / recoverability of debtors: The company makes an assessment of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider various factors including the ageing profile of debtors and historical experience. See Note 9 for the net carrying amount of debtors and any associated impairment provisions.

There are no material key sources of estimation uncertainty impacting the financial statements.

Notes (continued)

2 Turnover

	2021 £000	2020 £000
Sale of goods	988	710

By geographical market

	2021 £000	2020 £000
Europe and Russia	438	492
Africa	20	10
Middle East	49	13
Far East and Australasia	47	72
North and South America	434	123
Total turnover	988	710

3 Profit on ordinary activities

Profit on ordinary activities before taxation is stated after charging / (crediting):

	2021 £000	2020 £000
Depreciation (note 6)	62	81
Operating Lease rentals	98	89
(Gain) / loss on foreign exchange transactions	(11)	40
Loss on disposal of tangible fixed assets	2	9
Audit of these financial statements	18	18

The auditors have not provided any non-audit services during either year.

Notes (continued)

4 Employee costs & directors remuneration

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Operational, distribution and sales	4	4
Administration, IT and finance	-	-
	<u>4</u>	<u>4</u>

The aggregate payroll costs of these persons were as follows:

	2021	2020
	£000	£000
Staff costs (including directors)		
Wages and salaries	129	206
Social security costs	14	17
Other pension costs (note 12)	7	8
	<u>150</u>	<u>231</u>

Staff costs does not include costs of £77,000 for employees recharged through various group companies during the year,

The aggregate payroll costs of directors were as follows:

	2021	2020
	£000	£000
Directors' remuneration	-	11
Company contributions to money purchase pension plans	-	1
	<u>-</u>	<u>12</u>

The directors' emoluments above were paid in relation to the services of no directors (2020: one). The other directors did not receive any remuneration in respect of services to this company.

Notes (continued)

5 Taxation

(a) Tax on profit on ordinary activities

	2021 £000	2020 £000
<i>Current tax</i>		
UK Corporation tax on results for period	5	-
Total current tax charge/(credit)	5	-
<i>Deferred tax (see note 11)</i>		
Origination and reversal of timing differences	8	(2)
Total deferred tax charge/(credit)	8	(2)
Total tax charge/(credit)	13	(2)

(b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard effective rate of corporation tax in the UK of 19% (year ended 31 December 2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Profit before taxation	189	14
Profit on ordinary activities at the UK corporation tax rate of 19% (2020: 19%)	36	3
Expenses not deductible for tax purposes	(1)	1
Group relief for nil consideration	(22)	(6)
Tax charge/(credit)	13	(2)

(c) Factors affecting future tax charges

The company expects to continue to receive group relief surrendered to it by fellow UK companies which will reduce the effective rate of tax it suffers.

Notes (continued)

6 Tangible fixed assets

	Leasehold improvements £000	Plant and machinery £000	Motor Vehicles £000	Total £000
Cost				
At 1 January 2021	81	660	13	754
Additions	-	37	-	37
Disposals	-	(59)	-	(59)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	81	638	13	732
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 January 2021	41	568	13	622
Charge for the year	4	58	-	62
Disposals	-	(28)	-	(28)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	45	598	13	656
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 1 January 2021	40	92	-	132
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2021	36	40	-	76
	<hr/>	<hr/>	<hr/>	<hr/>

7 Investment

	£000
Net book value at 1 January 2021 & 31 December 2021	4
	<hr/>

Entity	Registered office address	Accounting year	Country of incorporation	Class of shares held	Ownership as at 31 December 2021	Ownership as at 31 December 2020
Reservoir Group Al Saudi Company	Warehouse No.117, Indoscom Indust. Area, Block #14, Dammam, Saudi Arabia	31 December	Saudi Arabia	Ordinary	5%	5%

Notes (continued)

8 Stocks

	2021	2020
	£000	£000
Raw materials and consumables	135	143
Finished goods	130	154
	<hr/>	<hr/>
	265	297
	<hr/>	<hr/>

9 Debtors

	2021	2020
	£000	£000
Trade debtors	213	263
Amounts owed by group undertakings	1,316	1,027
Other debtors	5	2
Taxation and social security	1	-
Deferred tax (see note 11)	55	63
Prepayments	22	30
	<hr/>	<hr/>
	1,612	1,385
	<hr/>	<hr/>

Amounts owed by group undertakings are interest free and repayable on demand. These balances are unsecured in nature.

10 Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	19	30
Amounts owed to group undertakings	27	14
Taxation and social security	-	10
Accruals	18	23
	<hr/>	<hr/>
	64	77
	<hr/>	<hr/>

Amounts owed to group undertakings are interest free and repayable on demand. These balances are unsecured in nature.

Notes *(continued)*

11 Deferred tax

	2021	2020
	£000	£000
At 1 January	63	61
(Debit) / credit to the income statement (note 5)	(8)	2
At 31 December	<u>55</u>	<u>63</u>

Deferred tax assets are attributable to the following:

	2021	2020
	£000	£000
Accelerated capital allowances	(52)	(61)
Other timing differences	(3)	(2)
Transferred to current assets (note 9)	55	63
	<u>-</u>	<u>-</u>

12 Employee benefits

Defined contribution plans

The company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £7,000 (2020: £8,000).

13 Capital and reserves

Share capital

	2021	2020
	£000	£000
<i>Allotted, called up and fully paid</i>		
200 ordinary shares of £1 each	<u>-</u>	<u>-</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes (continued)

14 Financial commitments

At 31 December 2021, Future minimum rentals payable under non-cancellable operating leases payable for each of the following periods are:

	Land and Buildings	
	2021	2020
	£000	£000
Not later than one year	98	98
Later than one year and not later than five years	390	390
Later than five years	324	422
	<hr/>	<hr/>
	812	910
	<hr/>	<hr/>

15 Related parties

The company is wholly owned and has taken advantage of the exemption available under Section 33.1A of FRS 102 not to disclose any transactions with entities that are part of the Reservoir Group Limited group which qualify as related parties. There are no other related party transactions in existence out with this disclosure exemption.

16 Ultimate parent company and parent company of larger group

The company is a subsidiary undertaking of Reservoir Group Limited. The ultimate parent company and controlling party is Madison Industries Holdings LLC, a company incorporated in the USA.

The smallest and largest group within which the results of the company are consolidated is that of Reservoir Group Limited. The consolidated financial statements of Reservoir Group Limited are available publicly on Companies House.