

Registered Number: SC205751

Osprey3 Limited

**Annual Report and Financial Statements
for the year ended 31 December 2022**

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Directors and Advisors

Directors

Mr E Leask

Mr K Moorhouse (appointed 21 January 2022)

Secretary

Blackwood Partners LLP

Registered Office

Blackwood House

Union Grove Lane

Aberdeen

AB10 6XU

Solicitors

Blackwood Partners LLP

Blackwood House

Union Grove Lane

Aberdeen

AB10 6XU

Directors' Report

The directors present their annual report and the financial statements for the year ended 31 December 2022.

The directors have taken the small companies' exemption from preparing the strategic report.

Principal activities

The principal activity of Osprey3 Limited and its Netherlands branch, "the Company", is the manufacture, supply and rental of environmental filtration solutions and equipment to a range of critical industries including the energy, environmental and renewable energy sectors.

On 1 September 2022, as part of an internal Centurion Group legal reorganization, the trade, excluding the Netherlands branch, and certain assets of the Company were transferred to Centurion UK Rentals & Services Limited, a fellow Group company.

Directors

The directors, who served through the year and to the date of this report, were as follows:

Mr E Leask

Mr K Moorhouse (appointed 21 January 2022)

Business review and outlook

The Company is a wholly owned subsidiary of Centurion Group Limited, a Cayman registered company. Centurion Group Limited and its subsidiary undertakings, collectively referred to as the "Group", is a global leader in the supply of rentals and services to a range of critical industries including the energy, minerals, infrastructure, power, environmental and renewable energy sectors. The Group has a global reach with operations in key service locations: Canada, America, UK & Europe, Caspian, Middle East, South East Asia and Australia.

On 1 September 2022, as part of an internal Centurion Group legal reorganization, the trade, excluding the Netherlands branch, and certain assets of the Company were transferred to Centurion UK Rentals & Services Limited, a fellow Group company.

The Company recorded £913k profit in the year (2021: £820k).

Principal risks and uncertainties

The directors consider the principal risk and uncertainties to be those affecting the Group. Principal risks and uncertainties faced by the Group include geographical, political, fiscal, operational, commodity price volatility and financial risks. The Group's compliance framework, policies and management processes seek to mitigate adverse effects of these on the performance of the Group.

Dividends

No dividend was paid or proposed in the year (2021: £nil).

Financial risk management policies and objectives

The Company's activities expose it to financial risks including capital and liquidity risk. The Company does not use derivatives to manage its' financial risk or for speculative purposes. The financial risk management policies are operated at Group level.

Capital risk

The Company manages its capital as part of a group wide strategy to ensure that entities within the Group, including the Company's subsidiaries, will be able to continue to operate as going concerns.

Liquidity risk

As an dormant company there is a limited requirement for working capital. The Company has access to funding from related group companies to meet obligations if needed.

Directors' Report (continued)

Audit exemption statement

For the year ended 31 December 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'E Leask', written over a horizontal line.

E Leask
Director
10 January 2024

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Income Statement

For the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Revenue	4	3,666	5,128
Cost of sales		(2,209)	(3,606)
Gross profit		1,457	1,522
Administrative expenses		(715)	(645)
Recurring		(715)	(642)
Exceptional and adjusting items	5	-	(3)
Operating profit	6	742	877
Other gains and losses		85	(35)
Finance expense and similar charges	7	(39)	(43)
Profit before tax		788	799
Taxation	9	125	21
Profit for the year		913	820

The result for the current period and prior year is derived from continuing operations. There are no items of other comprehensive income in the year and therefore no separate statement of comprehensive income has been presented.

Statement of Financial Position

As at 31 December 2022

	Notes	2022 £000	2021 £000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1	647
Right of use assets	11	1,193	1,366
Total non-current assets		1,194	2,013
CURRENT ASSETS			
Inventory	12	100	1,052
Trade and other receivables	13	185	1,234
Amounts owed by group companies	13	11,208	7,893
Cash and bank balances		283	155
Total current assets		11,776	10,334
Total assets		12,970	12,347
CURRENT LIABILITIES			
Trade and other payables	14	(114)	(386)
Amounts owed to group companies	14	(1,010)	(741)
Lease liabilities	11	(166)	(161)
Total current liabilities		(1,290)	(1,288)
Net current assets		10,486	9,046
Total assets less current liabilities		11,680	11,059
NON-CURRENT LIABILITIES			
Lease liabilities	11	(1,073)	(1,239)
Deferred tax	9	-	(126)
Total non-current liabilities		(1,073)	(1,365)
Net assets		10,607	9,694
EQUITY			
Called up shared capital	15	-	-
Other equity reserves	15	2	2
Accumulated profit	15	10,605	9,692
Total equity		10,607	9,694

For the financial year ended 31 December 2022 the Company was entitled to exemption under section 479A of the Companies Act 2006. No members have required the Company to obtain audit of its accounts for the year ended 31 December 2022 in accordance with section 476 of the Companies Act 2006. The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements of Osprey3 Limited (registered number SC205751) were approved by the Board of Directors and are signed on its behalf by:



E Leask
Director

10 January 2024

Statement of Changes in Equity

For the year ended 31 December 2022

	Called-up share capital £000	Other equity reserves £000	Accumulated profit £000	Total £000
Balance at 1 January 2021	-	-	8,872	8,872
Profit and total comprehensive income for the year	-	-	820	820
Share based payments (note 16)	-	2	-	2
Balance at 31 December 2021	-	2	9,692	9,694
Profit and total comprehensive income for the year	-	-	913	913
Share based payments (note 16)	-	-	-	-
Balance at 31 December 2022	-	2	10,605	10,607

Notes to the Financial Statements

For the year ended 31 December 2022

1. General information

Osprey3 Limited ("the Company") is a private company limited by shares incorporated in United Kingdom under the Companies Act 2006 and registered in Scotland. The address of the Company's registered office is given on page 1.

The nature of the Company's operations and its principle activities are set out in the Directors Report on page 2.

2. Significant accounting policies

The principal accounting procedures are set out below and have been applied consistently for all years presented in the financial statements.

2.1. Basis of preparation

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party disclosures.

Where relevant, equivalent disclosures have been given in the group accounts of Centurion 3 Limited, a company registered in Scotland. The Group accounts of Centurion 3 Limited are available to the public and can be obtained as set out in note 19.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

The financial statements are presented in pound sterling (GBP), which is the currency of the primary economic environment in which the Company operates.

2.2 Going Concern

The Company is party to the Group borrowing facilities. As a result, cash flow projections, including working capital requirements, are developed and managed at Group level. At the date of this report the Group has cash and cash reserves of \$25m, and the ability to draw down a further \$90m of debt funding under the existing RCF subject to customary bank covenants and credit agreement conditions. On 3 October 2022, the Group upsized its existing multi-currency credit facility by \$92m. On 15 December 2023, the Group extended the term of its existing multi-currency credit facility from 31 December 2024 to 31 December 2026 and further upsized the facility by \$56m to \$394m.

Having assessed the Group financial position, the trading prospects and liquidity including possible downside scenarios through the going concern period, being 12 months subsequent to the approval of these financial statements, the directors have developed a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Additionally, the directors have, at the time of approving the financial statements, developed a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and has obtained confirmation from the parent company (note 19) of continuing financial support in the 12 month period subsequent to the approval of these financial statements.

Accordingly, the directors continue to adopt the going concern basis in their preparation of the annual financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

2. Significant accounting policies (continued)

2.3 Adoption of new and revised standards

The Company has adopted all new and revised standards effective for the period beginning 1 January 2022. The adoption of these standards has not impacted the Company's reported results or financial position.

2.4 Revenue recognition

The Company recognises revenue from the following major sources:

- Hire of equipment; and
- Sale of equipment.

2.4.1 Revenue from hire of equipment

Revenue in respect of equipment rental is recognised over the period which the rentals occur at the rates contracted with customers.

2.4.2 Revenue from sale of equipment

Revenue from the sale of equipment is recognised at a point in time when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the equipment;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the equipment sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Foreign currencies

2.5.1 Functional and presentation currency

For the purpose of the Financial Statements, the results and financial position of the Company are expressed in Pounds Sterling ('£'), which is the functional currency of the Company and the presentation currency for the financial statements.

2.5.2 Transactions and balances

In preparing the financial statements of the Company, transactions in currencies other than the functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2.6 Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to contributions.

2.7 Taxation

2.7.1 Current tax

Current tax payable or receivable is based on taxable result for the year. Taxable profit or loss differs from the result as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

2. Significant accounting policies (continued)

2.7 Taxation (continued)

2.7.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2.7.3 Current and deferred tax

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items that are recognised outside the income statement (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside the income statement, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

2. Significant accounting policies (continued)

2.8 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Tenants improvements	lower of 25 years or lease period
Hire fleet	1 to 15 years
Other plant and equipment	3 to 8 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

2.9 Right of use asset

The right of use assets comprise the initial measurement of the corresponding lease liability (see note 2.10), lease payments made at or before the commencement day, any initial direct costs and any costs associated with returning the asset to a standard specified in the lease. They are subsequently measured at cost less accumulated depreciation and impairment.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right of use asset, unless those costs are incurred to produce inventories.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right of use asset reflects that the Company expects to exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 Impairment of Assets to determine whether a right of use asset is impaired and accounts for any identified impairment loss.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statement of profit or loss.

2.10 Leases

2.10.1 The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right of use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as a lease with total payments less than £5,000). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

2. Significant accounting policies (continued)

2.10 Leases (continued)

2.10.1 The Company as lessee (continued)

The incremental borrowing rate is determined by reference to the risk-free interest rate as adjusted by the Company's external borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

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

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease;
- payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the year presented.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

2.10.2 The Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right of use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

2. Significant accounting policies (continued)

2.10 Leases (continued)

2.10.2 The Company as lessor (continued)

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Companies will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the present value of the expenditures required to settle the obligation using a pre-tax rate that reflects the current assessment of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

2.13 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand and other short-term bank deposits with maturities of three months or less and bank overdrafts where there is a right of set-off.

2.15 Share based payments

The Company's ultimate parent company has granted rights to its equity instruments to certain employees of the Company. Such arrangements are accounted for as equity-settled share-based payment arrangements. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the number of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

2. Significant accounting policies (continued)

2.16 Exceptional and adjusting items

Items that are considered material either because of their size or their nature, are shown as exceptional and adjusting items, to assist the understanding of the Company's underlying performance, within their relevant income statement category and are explained in the notes to the financial statements.

2.17 Impairment

2.17.1 Tangible assets

During each reporting period the carrying amounts of tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2.17.2 Recoverable amount

Recoverable amount is the higher of fair value less costs to dispose and value in use. 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 assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

2.17.3 Subsequent reversal of impairment

Where an impairment loss for tangible assets subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3. Key sources of estimation uncertainty and critical judgments

In the application of the Company's accounting policies, outlined in note 2, 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. There are no key sources of estimation uncertainty and critical judgments impact.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

4. Revenue

Analysis by category

	2022	2021
	£000	£000
Sale of goods	3,117	4,525
Hire of equipment	549	603
	3,666	5,128

Analysis by geography

	2022	2021
	£000	£000
United Kingdom	1,176	1,500
Other	2,490	3,628
	3,666	5,128

5. Exceptional and adjusting items

Exceptional and adjusting items comprise the following:

	2022	2021
	£000	£000
Restructuring and severance costs	-	3
	-	3

Restructuring costs comprise professional costs and costs incurred towards the group legal structure rationalisation, and rebranding. While such reorganizations occur periodically, they are not part of ordinary trading activity and therefore are presented as exceptional and adjusting items.

6. Operating profit

	Notes	2022	2021
		£000	£000
Operating profit for the year is stated after charging/(crediting):			
Employee benefit expense	8	488	775
Depreciation of property, plant and equipment	10	161	125
Depreciation of right of use asset	11	173	173
Profit on disposal of property, plant and equipment		(9)	(12)

7. Finance expenses and similar charges

	2022	2021
	£000	£000
Interest on leases	39	43
	39	43

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

8. Employee benefit expense

	2022 £000	2021 £000
Wages and salaries	441	709
Social security costs	41	56
Pension costs (note 17)	6	10
	488	775

	2022 No.	2021 No.
Average number of employees in the year was:		
- Operations	10	12
- Sales and administration	5	5
	15	17

The directors did not receive any remuneration from the Company for their services to this company. The remuneration of the directors is borne by another group company.

9. Taxation

	2022 £000	2021 £000
Current tax		
Foreign tax	1	8
Total current tax	1	8
Deferred tax		
Current period	(94)	(21)
Effect of changes in tax rates	-	30
Adjustments for prior periods	(32)	(38)
Total deferred tax	(126)	(29)
Total income tax	(125)	(21)

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

9. Taxation (continued)

Reconciliation of income tax

The income tax for the year is reconciled to the accounting profit as follows:

	2022 £	2021 £000
Profit before taxation	788	799
Profit before taxation multiplied by standard rate of UK corporation tax of 19% (2021: 19%)	150	152
Expenses not deductible	(1)	2
Withholding taxes and unrelieved overseas taxes	-	8
Effect of changes in tax rates	-	30
Adjustments recognised in the current year in respect of prior tax year	(39)	(38)
Movement in un-provided deferred tax	(54)	
Group relief	(181)	(175)
Current tax credit for the year	(125)	(21)

The UK Budget announcement on 3 March 2021 proposed to increase the UK Corporation Tax rate to 25% from 1 April 2023. This rate change was substantively enacted on 24 May 2021. As this was substantively enacted before the reporting date, the UK deferred tax balances as at 31 December 2022 have been measured at 25%.

Deferred tax liability

The deferred tax liability recognised by the Company and the movement during the current and prior period is as follows:

	2022 £000	2021 £000
Balance at 1 January	126	155
Adjustments for prior periods	(32)	(38)
Charge / (credit) for the period	(94)	(21)
Effect of changes in tax rates	-	30
Balance 31 December	-	126

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

10. Property, plant and equipment

	Tenants improvements £'000	Plant and Equipment £'000	Total £'000
Cost			
At 1 January 2022	94	1,668	1,762
Additions	-	377	377
Disposals	(94)	(2,042)	(2,136)
At 31 December 2022	-	3	3
Accumulated depreciation			
At 1 January 2022	91	1,024	1,115
Charge for the period	1	160	161
Disposals	(92)	(1,182)	(1,274)
At 31 December 2022	-	2	2
Net book value			
At 31 December 2022	-	1	1
At 31 December 2021	3	644	647

There is a floating charge held over certain assets noted above in relation to the Group's banking facilities as detailed in the accounts of Centurion 3 Limited (note 19).

11. Leases

	Offices and buildings £'000
Right-of-use asset	
Cost	
At 1 January 2022 and 31 December 2022	1,734
Accumulated depreciation	
At 1 January 2022	368
Charge for the year	173
At 31 December 2022	541
Net book value	
At 31 December 2022	1,193
At 31 December 2021	1,366
	Offices and buildings £
Lease liabilities	
At 1 January 2022	1,400
Interest expense	39
Repayment of lease liabilities	(200)
At 31 December 2022	1,239

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

11. Leases (continued)

A maturity analysis of the Company's IFRS 16 lease liability is shown below:

	2022 £000	2021 £000
Lease liabilities		
Current	166	161
Non-Current	1,073	1,239
At 31 December 2022	1,239	1,400

The amounts charged to operating profit and amounts charged to finance costs are as follows:

	2022 £000	2021 £000
Depreciation charge for right of use assets		
Offices and buildings	173	173
Charged to operating profit	173	173
Interest expense related to lease liabilities	39	43
Charge to profit before tax	212	216

The Company leases various properties. The majority of the lease liabilities relates to properties with leases generally entered into for fixed periods. Some leases have extension options as described below. Lease terms are negotiated individually and contain a wide range of terms and conditions. The lease arrangements do not impose covenants other than the security interests in the leased assets that are held by the lessor.

The Company recognised a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate ("IBR").

The lease liability is subsequently increased by the interest cost on the lease liability and reduced by the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's IBR is used. The IBR is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

12. Inventories

	2022 £000	2021 £000
Raw materials	-	733
Consumables, spares and finished goods	100	319
	100	1,052

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

13. Trade and other receivables

	2022 £000	2021 £000
Trade debtors	173	699
Other debtors and prepayments	12	96
Corporation tax recoverable	-	439
	185	1,234

Amounts due from Group companies of £11,208k (2021: £7,893k) are non-interest bearing and have no formal repayment terms. The counterparties comprise intermediate parent companies and fellow subsidiaries within the Centurion 3 Limited group.

14. Trade and other payables

	2022 £000	2021 £000
Trade creditors	48	304
Payroll taxes and social security	16	15
Accruals and other creditors	50	67
	114	386

Amounts due to Group companies of £1,010k (2021: £741k) are non interest bearing and have no formal repayment terms. The counterparties comprise intermediate parent companies and fellow subsidiaries within the Centurion 3 Limited group.

15. Share capital and reserves

	2022 £	2021 £
Issued and fully paid:		
100 ordinary shares of £1 each	100	100

Other equity reserves

	Share Based Payments £000
Balance at 1 January 2022	2
Movement in year	-
Balance at 31 December 2022	2

Retained earnings

	2022 £000	2021 £000
Balance at 1 January	9,692	8,872
Profit for the year	913	820
Balance at 31 December	10,605	9,692

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

16. Share based payments

The Company's parent, Centurion Group Limited ("CGL"), has a share option plan for certain employees of its subsidiaries. Under this plan, options are awarded to purchase CGL shares at a future date for a price set at grant date (exercise price). Outstanding options at 31 December 2022 are exercisable at a range of strike prices up to \$2.01 and vest over periods ranging from zero to four years.

Options lapse at the earliest of the following:

- Attempt to transfer or reassign or have any charge or other security interest created over them (except in the event of the holder's death, in which case they are transferrable to the option holder's personal representatives); or
- Date specified in the option certificate; or
- Expiry of a period of seven years following the date of grant; or
- When the option holder becomes bankrupt or make voluntary arrangement with their creditors or takes similar steps under laws of any jurisdiction that correspond to those provisions of the insolvency act; or
- When the recipient ceases to hold office or employment, or the recipient gives or receives notice to terminate employment with a Group company:
 - Before the first anniversary of the date of grant the recipient shall forfeit the whole option;
 - Before the second anniversary of the date of grant the recipient shall forfeit two thirds of the option;
 - Before the third anniversary of the date of grant the recipient shall forfeit one third of the option.

At 31 December nil employees of the Company (2021: 1 employees) participated in these schemes.

17. Retirement benefit plans

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Pension costs charged in the year amounted to £6k (2021: £10k) and there was £nil (2021: £2k) outstanding at year end.

18. Related party balances and transactions

The Company has taken advantage of the exemption available in IAS 24 "Related party disclosure" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

19. Controlling party

The ultimate holding company is Centurion Group Limited, a company incorporated and registered in the Cayman Islands (Registered office: c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, the Cayman Islands). The majority of the equity of Centurion Group Limited is owned by SCF VIII AIV LP and SCF VII AIV LP, Cayman Islands limited partnerships, which in turn are considered to be controlled by its general partner, LE Simmons & Associates Inc, a Delaware corporation whose controlling party is its president, L E Simmons.

The smallest and largest group which consolidates the results of the Company is Centurion 3 Limited, a company registered in Scotland (Registered office: Blackwood House, Union Grove Lane, Aberdeen, United Kingdom, AB10 6XU), whose financial statements are publicly available from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.