

Company Registration No. SC254764

SPARROWS ANGOLA LIMITED

Report and Financial Statements

For the year ended 31 December 2018



SPARROWS ANGOLA LIMITED

Report and financial statements for the year ended 31 December 2018

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SPARROWS ANGOLA LIMITED

Report and financial statements for the year ended 31 December 2018

Officers and professional advisers

Director

S A A Mitchell
N A Johnson

Secretary

Pinsent Masons Secretarial Limited

Registered Office

13 Queen's Road
Aberdeen
United Kingdom
AB15 4YL

Bankers

Royal Bank of Scotland plc
1 Albyn Place
Aberdeen
AB10 1BR

HSBC Bank Plc
8 Canada Square
London
E14 5HQ

Solicitors

Pinsent Masons LLP
13 Queen's Road
Aberdeen
AB15 4YL

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London
EC4Y 1HS

Independent Auditors

PricewaterhouseCoopers LLP
The Capitol
431 Union Street
Aberdeen
AB11 6DA

SPARROWS ANGOLA LIMITED

Strategic report for the year ended 31 December 2018

Principal activities

The company's principal activity is the provision of crane operation, manufacture, maintenance and associated services to the oil and gas industry.

Business Review

The company's mission, as part of the Sparrows Offshore Group, is to set and raise global standards in everything it does for its clients and with its suppliers. The company is committed to supporting the global oil and gas industry develop an efficiency driven culture by optimising the performance, reliability and safety of critical equipment and people through the provision of our engineering products and services, which optimise performance and minimise risk to energy producers and service providers. This is supported through its core values of:

- Health, Safety and Environment – upholding the highest standards of care for people and the environment.
- Customers – pursuing lasting relationships with clients, firmly founded on integrity, mutual benefit and trust.
- Employees – by providing a supportive and challenging environment in which talented people thrive.
- Suppliers – behaving in a manner that reflects mutual respect, understanding and sound business practice.

The company profit and loss account for the financial year is presented on page 8.

At the end of 2017 and beginning of 2018 there was a restructuring of contracting entities following a competitive tender process within the Sparrows African business units resulting in reduced activity in the Angolan branch of Sparrows Angola Limited in 2018. This is reflected in the results for the year.

The directors report that the turnover for the current year was £1.4m (2017: £6.3m) and operating profit on ordinary activities before taxation reported at £75k (2017: £222k loss). The loss for the financial year amounted to £9.6m (2017: £1.7m).

The company has considered the possible impact of Brexit in relation to its operations and is currently satisfied that any impact is unlikely to be material.

SPARROWS ANGOLA LIMITED

Strategic report for the year ended 31 December 2018 (continued)

Financial risk management

The company's operations expose it to a variety of financial risks that include the effects of foreign currency risk, credit risk, liquidity risk and interest rate and cash flow risk. The company does not use derivative financial instruments for speculative purposes.

- **Liquidity risk:** the group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient available funds for current and planned operations.
- **Interest rate and cash flow risk:** the group manages interest rate risk on its long-term borrowings by the use of interest rate swap contracts.
- **Credit risk:** the group's policies require appropriate credit checks on potential customers before sales are made. The amount of exposure to an individual counterparty is subject to a limit, which is reassessed on a regular basis.
- **Foreign currency risk:** the group manages foreign exchange risk by using foreign currency denominated debt as a natural hedge. Settlement risk is managed by matching foreign currency receipts and payments whenever possible.



S A A Mitchell
Chief Executive Officer
26 April 2019

SPARROWS ANGOLA LIMITED

Directors' report for the year ended 31 December 2018

The directors present their annual report on the affairs of the company, together with the audited financial statements and independent auditors' report for the year ended 31 December 2018.

Going concern

After making enquiries, as described further in note 3 to the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence as a going concern for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in the preparation of the financial statements.

Future developments

The directors believe that the recent stabilisation in the oil price has led to an improvement in market conditions and are cautiously optimistic about the wider oil and gas market prospects for 2019. Furthermore, the directors believe that the company will benefit from broadening its product and service offering within its existing territories and customers base whilst continuing to diversify into new geographies, renewables and industrial markets and proactively managing its cost base.

As discussed in the Strategic Report the African business is going through a restructure process following tenders and will continue to do so within its African branches.

Directors

The present membership of the board is set out on page 1. The directors of the company who were in office during the year and up to the date of signing the financial statements were:

S A A Mitchell
N A Johnson

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Provision of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

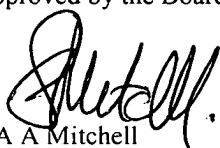
the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

PricewaterhouseCoopers LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board



S A A Mitchell
Chief Executive Officer
26 April 2019

SPARROWS ANGOLA LIMITED

Directors' responsibility statement for the year ended 31 December 2018

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 group and company 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 group and company and of the profit or loss of the group and 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 group and company will continue in business.

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

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Sparrows Angola Limited

Report on the audit of the financial statements

Opinion

In our opinion, Sparrows Angola Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 Report and Financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the profit and loss account, the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and 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.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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.

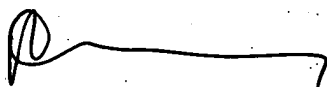
Other required reporting

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.



Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen

14 April 2019

SPARROWS ANGOLA LIMITED

Profit and loss account

Year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Turnover	5	1,433	6,264
Cost of sales		(1,124)	(5,117)
Gross profit		<u>309</u>	<u>1,147</u>
Administrative expenses		(234)	(1,369)
Operating profit/(loss)		<u>75</u>	<u>(222)</u>
Finance costs	7	(9,489)	(1,136)
Loss before taxation	8	<u>(9,414)</u>	<u>(1,358)</u>
Tax on loss	9	(179)	(326)
Loss for the financial year	14	<u><u>(9,593)</u></u>	<u><u>(1,684)</u></u>

All of the results for the current and prior year relates to continuing operations.

Statement of comprehensive income

Year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Loss for the financial year	14	(9,593)	(1,684)
Currency translation difference on foreign branch	14	5,856	633
Total comprehensive expense		<u><u>(3,737)</u></u>	<u><u>(1,051)</u></u>

SPARROWS ANGOLA LIMITED

Balance sheet

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	10	42	124
Current assets			
Debtors	11	8,761	10,590
Cash at bank and in hand		484	3,041
		9,245	13,631
Creditors: amounts falling due within one year	12	(20,937)	(21,668)
Net current liabilities		(11,612)	(8,037)
Total assets less current liabilities		(11,650)	(7,913)
Net liabilities		(11,650)	(7,913)
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	14	(11,750)	(8,013)
Total shareholders' deficit		(11,650)	(7,913)

The financial statements of Sparrows Angola Limited (registered number SC254764) on pages 9 to 19 were approved by the Board of Directors on 26 April 2019 and signed on its behalf by



N A Johnson
Chief Financial Officer

SPARROWS ANGOLA LIMITED

Statement of changes in equity For the year ended 31 December 2018

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' deficit £'000
Balance as at 1 January 2017	100	(6,962)	(6,862)
Loss for the financial year	-	(1,684)	(1,684)
Other comprehensive income for the year	-	633	633
Total comprehensive expense for the year	-	(1,051)	(1,051)
Balance as at 31 December 2017	100	(8,013)	(7,913)
Balance as at 1 January 2018	100	(8,013)	(7,913)
Loss for the financial year	-	(9,593)	(9,593)
Other comprehensive income for the year	-	5,856	5,856
Total comprehensive expense for the year	-	(3,737)	(3,737)
Balance as at 31 December 2018	100	(11,750)	(11,650)

SPARROWS ANGOLA LIMITED

Notes to the financial statements Year ended 31 December 2018

1. General information

The company's principal activity is the provision of crane operation, manufacture, maintenance and associated services to the oil and gas industry.

The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 13 Queens Road, Aberdeen, AB15 4YL.

2. Statement of compliance

The individual financial statements of Sparrows Angola Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), including early adoption of the triennial review 2017, and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Going concern

The company is a member of the Sparrows Offshore Group Limited group of companies ("the Group"). The company is party to cross-guarantees in respect of the group's banking facilities, which comprise term loan and revolving credit facilities (note 16).

At 31 December 2018, the company has net current liabilities of £11.6m (2017: £8.0m) and continues to be reliant on advances provided by other group companies in order to meet its obligations. The company has confirmed the continuing support of the Group and that repayment of the advances from other group entities will not be sought if it would compromise the ability of the company to trade in the ordinary course of business.

Having considered the foregoing, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis continues to be applied in the preparation of these financial statements.

SPARROWS ANGOLA LIMITED

Notes to the financial statements (continued) Year ended 31 December 2018

3. Summary of significant accounting policies (continued)

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The company has taken advantage of the following exemptions:

- (i) A reconciliation of the number of shares outstanding at the beginning and end of the period [FRS 102 para 4.12(a)(iv)];
- (ii) The requirement to prepare a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Sparrows Offshore Group Limited, includes the company's cash flows in its own consolidated financial statements [Section 7 of FRS 102 and para 3.17(d)]
- (iii) The non-disclosure of key management personnel compensation in total [FRS 102 para 33.7]
- (iv) The non-disclosure of related party transactions between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member [FRS 102 para 33.1A]

Consolidated financial statements

The company is a wholly owned subsidiary of Sparrows Offshore International Group Limited and of Sparrows Offshore Group Limited, the largest group to prepare consolidated financial statements which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and Machinery 3-10 years

Residual value is calculated on prices prevailing at the date of acquisition.

Financial instruments

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

Financial Assets

Basic financial assets, including trade and other receivables and cash and bank balances are initially recognised at transaction price. At the end of each reporting period such assets are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amounts would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset expire or are settled, or (c) substantially all the risks and rewards of the ownership of the asset are transferred to another party or, (d) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

SPARROWS ANGOLA LIMITED

Notes to the financial statements (continued) Year ended 31 December 2018

3. Summary of significant accounting policies (continued)

Financial liabilities

Basic financial liabilities, including trade and other payables and loans from Group companies are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts and VAT. Turnover from the provision of goods or services is recognised when the risks and rewards of ownership of goods have been transferred to the customer.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed at the period end as a proportion of the total contract value. Full provision is made for losses on contracts as soon as they are foreseen.

Interest income is recognised using the effective interest rate method.

Foreign currency

Amounts expressed in foreign currencies are translated into sterling at the middle market rate of exchange ruling at the close of business at the balance sheet date. Transactions during the year are translated at the middle market rates prevailing at the date of the transactions. Exchange gains or losses are recorded in the profit and loss account.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

SPARROWS ANGOLA LIMITED

Notes to the financial statements (continued) Year ended 31 December 2018

4. Critical accounting judgements and estimation uncertainty

(a) Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the property plant and equipment, and note 3 for the useful economic lives for each class of assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 11 for the carrying amount of the debtors and any associated impairment provision.

5. Turnover

The turnover is wholly attributable to the company's principal activities.

Geographical analysis of turnover:

	2018 £'000	2017 £'000
Turnover by origin		
Africa	1,433	6,264

The turnover is wholly attributable to the company's principal activity. No further segmental analysis of turnover and operating (loss)/profit is provided as the directors believe this may be prejudicial to the best interests of the company.

SPARROWS ANGOLA LIMITED

Notes to the financial statements (continued) Year ended 31 December 2018

6. Information regarding directors and employees

The directors are also directors of other group companies who settle their remuneration. It is not considered possible to apportion directors' remuneration to this subsidiary on the basis of the level of service and accordingly no allocation has been made. The remuneration paid by other group companies has been disclosed in the financial statements of the companies concerned.

The company had not employees during the current and preceding year.

7. Finance costs

	2018 £'000	2017 £'000
Foreign exchange loss	9,489	929
Special contribution tax	-	207
	<u>9,489</u>	<u>1,136</u>

8. Loss before taxation

Loss before taxation is stated after charging:

	2018 £'000	2017 £'000
Depreciation of tangible fixed assets	29	44
Rentals payable under operating leases	-	75
	<u>-</u>	<u>75</u>

The audit fee of £8,000 (2017: £6,000) was borne by a fellow group company in the current and prior year.

9. Income tax

	2018 £'000	2017 £'000
Current taxation		
Foreign tax	5	271
Adjustments in respect of prior periods		
Foreign tax	174	55
Total current tax	<u>179</u>	<u>326</u>
Deferred tax		
Origination and reversal of timing differences - prior year	-	-
	<u>-</u>	<u>-</u>
Total tax charge on loss	<u>179</u>	<u>326</u>

SPARROWS ANGOLA LIMITED

Notes to the financial statements (continued) Year ended 31 December 2018

9. Tax on loss (continued)

The tax assessed on the loss on ordinary activities for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are reconciled below:

	2018 £'000	2017 £'000
Loss before taxation	(9,414)	(1,358)
Tax on loss at standard rate of 19% (2017: 19.25%)	(1,789)	(261)
<i>Factors affecting charge for the year:</i>		
Foreign taxes not recoverable	(11)	(85)
Depreciation in excess of capital allowances	(6)	(7)
Higher taxes on overseas earnings	6	271
Adjustment in respect of prior periods	174	55
Group relief received and not paid for	1,684	341
Losses not utilised	109	-
Expenses not deductible for tax purposes	12	12
Total tax charge for the year	179	326

A deferred tax asset of £506k (2017: £389k) relating to tax losses carried forward has not been recognised on the basis that there is insufficient evidence of future profitability. Relief for these losses will only be obtained when the company obtains sufficient profits on which to utilise the losses.

10. Tangible assets

	Plant and Machinery £'000
Cost	
At 1 January 2018	203
Additions	-
Disposals	-
Foreign exchange movements	(88)
At 31 December 2018	115
Accumulated depreciation	
At 1 January 2018	79
Charge for the year	29
Disposals	-
Foreign exchange movements	(35)
At 31 December 2018	73
Net book value	
At 31 December 2018	42
At 31 December 2017	124

SPARROWS ANGOLA LIMITED

Notes to the financial statements (continued) Year ended 31 December 2018

11. Debtors

	2018 £'000	2017 £'000
Trade debtors	-	662
Amounts owed by group undertakings	8,761	9,677
Prepayments and accrued income	-	251
	<u>8,761</u>	<u>10,590</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	4	11
Amounts owed to group undertakings	20,726	21,291
Taxation and social security	-	4
Other creditors	89	24
Accruals and deferred income	118	338
	<u>20,937</u>	<u>21,668</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13. Called up share capital

	2018 £'000	2017 £'000
Called up, allotted and fully paid		
100,000 (2017: 100,000) ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. Profit and loss account

	£'000
At 1 January 2018	(8,013)
Loss for the financial year	(9,593)
Exchange gain arising on translation of foreign branches	5,856
At 31 December 2018	<u>(11,750)</u>

SPARROWS ANGOLA LIMITED

Notes to the financial statements (continued) Year ended 31 December 2018

15. Financial commitments

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

	2018 £'000	2017 £'000
Payments due		
Not later than one year	-	11
Later than one year and not later than five years	-	-
	<u>-</u>	<u>11</u>

16. Contingent liabilities

The company has entered into an arrangement with the Group bankers of its intermediate parent company, Hawk Noteco Limited, and subsidiaries, whereby cross-guarantees and securities have been granted in respect of the Group debt.

For the purposes of the group banking facilities, the parent company is Hawk Noteco Limited

Group bank loans and overdrafts are secured by a standard security over any fixed assets and cash balances of the company and certain other group companies and a floating charge over the whole of the assets of the company and certain other group companies.

17. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Sparrows Offshore International Group Limited.

The directors regard Hawk Caledonia LP, a limited partnership incorporated in Scotland, as the ultimate parent undertaking and controlling party.

The largest group in which the results of the company are consolidated at 31 December 2018 is that headed by Sparrows Offshore Group Limited. The smallest group in which the results of the company are consolidated at 31 December 2018 is that headed by Hawk Noteco Limited. The consolidated financial statements of these groups are available from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.