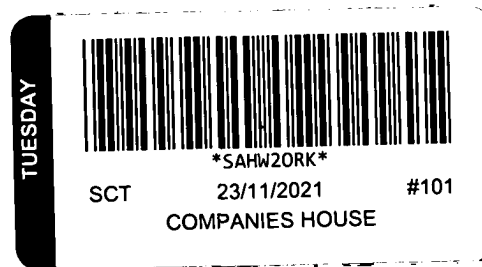


HFG Corporate Limited

Annual report for the year ended 31 December 2020



COMPANIES HOUSE

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Directors and Advisers

Director:	J M Heiton
Registered office:	Midmill Business Park Kintore Aberdeenshire AB51 0QG
Registered number:	SC309083

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Strategic Report for the year ended 31 December 2020

The director presents his Strategic Report of HFG Corporate Limited ("the Company") for the year ended 31 December 2020.

Principal activities

The principal activity of the company is to act as an intermediary holding company and to provide management services to its subsidiary undertakings.

Review of the business

The company's key financial performance indicators during the year were as follows:

	Year Ended 2020 £000	Year Ended 2019 £000
Revenue	3,053	4,088
Operating Profit/(Loss)	120	(1,104)
Profit for the financial year	4,391	7,095
Operating Profit / (Loss) Margin	4%	(27%)
Net Current Assets	24,636	38,300
Average Monthly Number of Employees	17	19

The average monthly number of staff employed during the period was 17 which was in line with expectations. The directors do not anticipate any significant change in employee headcount during 2021.

Principal risks and uncertainties, including financial risk management

As a service provider to the oil and gas industry, the company is exposed to changes that take place in that industry as a result of the fluctuation in the price of oil.

Credit risk is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The company is exposed to credit risk relating to its receivables from customers and cash. The company minimises its credit risk relating to receivables from customers, by performing ongoing credit evaluations. Cash balances are maintained in major commercial banks. Custody of cash and cash equivalents is maintained at several major financial institutions, and the company monitors the financial condition of those financial institutions. The company mitigates its credit risk relating to the counterparties by transacting with multiple, high-quality counterparties, thereby limiting exposure to individual counterparties, and by monitoring the financial condition of its counterparties.

The company's sales and purchases are made in Sterling, Euros and US Dollars and so it is exposed to the movement in the Euro and the US Dollar to Sterling exchange rates. The effects of exchange losses are monitored by the company.

Future developments

The director expects market conditions for the company's subsidiary undertakings principal marketplace of the offshore oil & gas market to continue to show recovery from the impact of the COVID-19 pandemic, as projects recommence, and the oil price recovers. We believe that our financial structure, geographic diversification, and service offering provides us with a level of resilience and flexibility in responding to the current market uncertainties.

Looking further ahead, the Company is well positioned for growth opportunities and continues to identify new business opportunities across the global market.

Strategic Report for the year ended 31 December 2020 (continued)

Exit from the European Union

The UK's departure from the European Union and new trade deal has not had an adverse impact on the Company's operations. The directors have considered the impact of Brexit and the UK's future global relationships up to the date of signing and do not consider there to be a material impact on the Company.

Subsequent events

There are no subsequent events to report.

Approved by the Director



J M Heiton - Director
30 September 2021

Director's Report for the year ended 31 December 2020

The director presents his annual report together with the financial statements of the Company for the year ended 31 December 2020.

Information on principal activities, review of business, future developments and principal risks and uncertainties is included in the Strategic report on page 1.

Dividends

A dividend of £24.6m was paid in the year (2019: £Nil). No further dividends are proposed.

Directors

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

D Mitchell (Resigned 15 January 2021)
G Wilson (Resigned 30 April 2021)
J M Heiton (Appointed 25 November 2020)
K Friar (Resigned 25 November 2020)

Qualifying third-party indemnity provisions

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 period and is currently in force.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Strategic Report on page 1.

The COVID-19 pandemic resulted in a dramatic reduction in short-term demand for oil and gas in the first half of the year, with the resultant imbalance in supply and demand resulting in a decline in the oil price, before a subsequent recovery during the second half of the year as oil inventories and prices recovered to their pre COVID-19 levels. This impacted the pace of new investment from the group's customers in the upstream oil & gas industry during 2020, albeit that with the ongoing recovery the group is now receiving incremental demand for its products and services.

The Director continues to have a high degree of confidence in its' prospects.

In assessing going concern we have considered the potential risks and uncertainties arising from the COVID-19 pandemic and the ongoing economic consequences.

Having assessed the Company's financial position and prospects at the time of approving the financial statements, including consideration of reasonably possible downside sensitivities, I am satisfied that the Company will continue to operate in the ordinary course for at least twelve months from signing the financial statements. Accordingly, the financial statements are prepared on a going concern basis.

Post balance sheet event

Significant events after the balance sheet date of 31 December 2020 are discussed in the Strategic Report.

Audit Exemption Statement

For the year ending 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

On behalf of the board



J M Heiton - Director
30 September 2021

Director's responsibilities statement

The director is responsible for preparing the Strategic Report, Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director is required to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" as adopted by the European Union. Under company law the director must not approve the accounts unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101, 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 appropriate to presume that the Company's will continue in business.

The director is 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.

The director is 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.

(All amounts are in £ thousands unless otherwise stated)

Income statement
For the year ended 31 December 2020

	Note	Year Ended 2020 31 December	Year Ended 2019 31 December
Revenue	4	3,053	4,088
Cost of sales		-	-
Gross profit		3,053	4,088
Administrative expenses		(2,933)	(5,192)
Operating profit/(loss)	5	120	(1,104)
Income from shares in group undertakings	8	2,295	6,201
Profit before interest and taxation		2,415	5,097
Finance income	7	2,406	2,675
Finance costs	7	(462)	(617)
Finance income – net	7	1,944	2,058
Profit before taxation		4,359	7,155
Tax on profit	9	32	(60)
Profit for the financial year		4,391	7,095

There was no other comprehensive income/(loss) for 2020 (2019: £nil).

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

The notes on pages 8 to 27 are an integral part of these financial statements.

HFG Corporate Limited
Year ended 31 December 2020

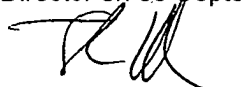
(All amounts are in £ thousands unless otherwise stated)

Statement of financial position
As at 31 December 2020

	Note	31 December 2020	31 December 2019
Fixed assets			
Property, plant and equipment	10	1,128	1,312
Right of use assets	11	3,570	3,699
Investments	12	15,727	15,727
		20,425	20,738
Current assets			
Trade and other receivables	13	25,252	36,419
Cash and cash equivalents		122	3,083
		25,374	39,502
Creditors: amounts falling due within one year	14	(738)	(1,202)
Net current assets		24,636	38,300
Total assets less current liabilities		45,061	59,038
Creditors: amounts falling due after more than one year	15	(19,501)	(13,282)
Net assets		25,560	45,756
Equity			
Called up share capital	18	162	162
Share Premium Account	18	15,567	15,567
Other Reserves	18	746	746
Retained earnings	18	9,085	29,281
Total shareholders' funds		25,560	45,756

For the financial year ended 31 December 2020 the Company was entitled to exemption under section 479A of the Companies Act 2006. No members have required the Company to obtain an audit of its accounts for the year ended 31 December 2020 in accordance with section 476 of the Companies Act 2006. The Director acknowledges his responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements of HFG Corporate Limited, registered number SC309083, were approved by the Director on 30 September 2021.


J M Heiton
Director

HFG Corporate Limited
Year ended 31 December 2020

(All amounts are in £ thousands unless otherwise stated)

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

	Called up share capital	Share Premium	Other Reserves	Retained earnings	Total shareholders' funds
Balance at 1 January 2019	100	758	746	22,186	23,790
Profit for the financial year	-	-	-	7,095	7,095
Total comprehensive income for the year	-	-	-	7,095	7,095
Proceeds from shares issued (Note 18)	62	14,809	-	-	14,871
Balance as at 31 December 2019	162	15,567	746	29,281	45,756
Balance as at 1 January 2020	162	15,567	746	29,281	45,756
Profit for the financial year	-	-	-	4,391	4,391
Total comprehensive income for the year	162	15,567	746	33,672	50,147
Dividends	-	-	-	24,587	24,587
Balance as at 31 December 2020	162	15,567	746	9,085	25,560

Notes to the financial statements

(All amounts are in £ thousands unless otherwise stated)

1 General information

The financial statements of HFG Corporate Limited ("the Company") for the year ended 31 December 2020 were authorised for issue by the Director as per page 6.

The Company is a private company limited by shares incorporated under the Companies Act 2006 and domiciled in Scotland and its registered office is Midmill Business Park, Kintore, Aberdeenshire, AB51 0QG.

The Company is an intermediate holding company for a group involved in the sale and rental of specialist containers, baskets and workshops as well as the manufacture, sale and rental of offshore cabins, modules and equipment rooms for use in the offshore oil and gas and renewable energy industries. The Company is a wholly owned subsidiary of the OEG Group Limited group which prepare consolidated financial statements in which the company is included. The consolidated financial statements of OEG Group Limited, a company registered in England and Wales, are available from Companies House.

The principal accounting policies which have been applied consistently in the current and prior year, are set out below.

2 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 periods presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006 under the historical cost convention.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of IFRS 7 "Financial Instruments: Disclosures", on the basis that equivalent disclosures are included within the consolidated financial statements of OEG Group Limited into which the Company is consolidated;
- b) the requirements of paragraphs 10(d), 16, 111 and 134-136 of IAS 1 "Presentation of Financial Statements";
- c) the requirements of IAS 7 "Statement of Cash Flows";
- d) the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
- e) the requirements of paragraphs 17 and 18A of IAS 24 "Related Party Disclosures"; and
- f) the requirements within IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- g) exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, details of the parent in whose consolidated financial statements the company is included are shown in Note 22 to the financial statements.

Notes to the financial statements (continued)

(All amounts are in £ thousands unless otherwise stated)

2 Summary of significant policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Going concern

At 31 December 2020 the Company has net assets of £25.6m (2019: £45.8m).

The COVID-19 pandemic resulted in a dramatic reduction in short-term demand for oil and gas in the first half of the year, with the resultant imbalance in supply and demand resulting in a decline in the oil price, before a subsequent recovery during the second half of the year as oil inventories and prices recovered to their pre COVID-19 levels. This impacted the pace of new investment from the group's customers in the upstream oil & gas industry during 2020, albeit that with the ongoing recovery the group is now receiving incremental demand for its products and services.

The Director continues to have a high degree of confidence in its' prospects.

In assessing going concern we have considered the potential risks and uncertainties arising from the COVID-19 pandemic and the ongoing economic consequences.

Having assessed the Company's financial position and prospects at the time of approving the financial statements, including consideration of reasonably possible downside sensitivities, the director is satisfied that the Company will continue to operate in the ordinary course for at least twelve months from signing the financial statements. Accordingly, the financial statements are prepared on a going concern basis.

2.1.2 New standards, amendments and interpretations

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

Standard	IASB effective date (for periods commencing on or after)
• Amendments to IFRS 16 'Leases: Covid-19-Related Rent Concessions'	1 June 2020
• Amendments to IFRS 9 'Financial Instruments'; IAS 39 'Financial Instruments: Recognition and Measurement'; and IFRS 7 'Financial Instruments: Disclosures'; IFRS 4 'Insurance Contracts'; and IFRS 16 'Leases: Interest Rate Benchmark Reform – Phase 2'	1 January 2021
• Amendments to IFRS 4 'Insurance Contracts: Extension of the Temporary Exemption from Applying IFRS 9'	1 January 2021
• Amendments to IFRS 3 'Business Combinations'; IAS 16 'Property, Plant and Equipment' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'	1 January 2022
• Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
• Amendments to IAS 1 'Presentation of Financial Statements: Classifications of Liabilities as Current or Non-current' and 'Deferral of Effective Date'	1 January 2023
• IFRS 17 'Insurance Contracts' including 'Amendments to IFRS 17'	1 January 2023

Notes to the financial statements (continued)

(All amounts are in £ thousands unless otherwise stated)

2 Summary of significant policies (continued)

2.1.2 New standards, amendments and interpretations (continued)

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| • Amendments to IAS 1 'Presentation of Financial Statements: Disclosure of Accounting Policies' | 1 January 2023 |
| • Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates' | 1 January 2023 |
| • IFRS 14 'Regulatory Deferral Accounts' | 1 January 2016 |
| • Amendments to IFRS 10 'Consolidated Financial Statements' and 'IAS 28 'Investments in Associates and Joint Ventures': 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture' | Deferred indefinitely |

2.2 Preparation of consolidated financial statements

The financial statements contain information about HFG Corporate Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included within the consolidated financial statements of OEG Group Limited group, which are publicly available.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Revenue recognition

The company recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
3. Determine the transaction price: The transaction price is the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Notes to the financial statements (continued)

(All amounts are in £ thousands unless otherwise stated)

2 Summary of significant policies (continued)

2.4 Revenue Recognition (continued)

4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for satisfying each performance obligation.

5. Recognise revenue when (or as) the entity satisfies a performance obligation at a point in time or over time.

The company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

The customer simultaneously receives and consumes the benefits provided by the company's performance as the company performs; or

The company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

The company's performance does not create an asset with an alternative use to the company and the entity has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied. The company is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. As part of the impact assessment exercise, company has concluded that for all of its arrangements, it acts as a principal and revenue is continued to be recognised as follows:

- Services
- Revenue from services is recognised in the profit or loss on completion of services rendered.

2.5 Employee benefits

The Company's post-employment schemes comprise a defined contribution pension plan.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.6 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.7 Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the financial statements (continued)
(All amounts are in £ thousands unless otherwise stated)

2 Summary of significant policies (continued)

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.9 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.10 Property, plant and equipment

Short Leasehold comprise mainly service centres for pooling equipment and offices. All property, plant and equipment is stated at historical cost less depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

- | | |
|--------------------------|----------|
| • Short Leasehold | 25 years |
| • Plant and machinery | 4 years |
| • Furniture and fittings | 4 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3).

Notes to the financial statements (continued)

(All amounts are in £ thousands unless otherwise stated)

2 Summary of significant policies (continued)

2.10 Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative Expenses' in the income statement

2.11 Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

2.12 Financial assets

The Company classifies its financial assets at amortized cost.

The classification of debt instruments depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

(i) At initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(ii) At subsequent measurement

Debt instrument –

Debt instruments of the Company mainly comprise of cash and bank balances, trade and other receivables and deposits. There are three prescribed subsequent measurement categories, depending on the Company's business model in managing the assets and the cash flow characteristic of the assets. The Company managed these group of financial assets by collecting the contractual cash flow and these cash flows represents solely payment of principal and interest. Accordingly, these group of financial assets are measured at amortized cost subsequent to initial recognition.

A gain or loss on a debt investment that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is derecognized or impaired. Interest income from these financial assets are recognized using the effective interest rate method.

The Company assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost.

For cash and bank balances and deposits, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognized.

Notes to the financial statements (continued)

(All amounts are in £ thousands unless otherwise stated)

2 Summary of significant policies (continued)

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.14 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Recognition of impairment provisions under IFRS9 is based on the expected credit loss (ECL) model.

2.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.16 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.18 Share capital

Ordinary shares are classified as equity.

Notes to the financial statements (continued)

(All amounts are in £ thousands unless otherwise stated)

2 Summary of significant policies (continued)

2.19 Provisions

Provisions for legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Reorganisation provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Leases

The company leases buildings and equipment. Rental contracts are typically made for fixed periods, but may have extension options as described further in this note.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being 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.

The lease liability is subsequently increased by the finance cost on the lease liability and decreased by lease payments made. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the financial statements (continued)

(All amounts are in £ thousands unless otherwise stated)

2 Summary of significant policies (continued)

2.20 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are subsequently measured at cost less depreciation and impairment losses, if any. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases, being leases with a lease term of 12 months or less, and leases of low-value assets, that is items that are considered insignificant for the statement of financial position as a whole, are recognised on a straight-line basis as an expense in profit or loss.

Variable lease payments that are not linked to an index or a rate are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in certain office space leases. Extension options (or periods after termination options) are only included in the lease term only if the lease is reasonably certain to be extended (or not terminated).

2.21 Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Notes to the financial statements (continued)

(All amounts are in £ thousands unless otherwise stated)

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 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 have been considered within these financial statements and no items were identified.

(a) Impairment of Investment in subsidiary company

Determination of whether investment in subsidiary has suffered any impairment requires an estimation of enterprise value which is based on an estimate of the future cash flows expected to be generated by subsidiary company

(b) Impairment of Financial assets

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model.

(c) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment 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 9 for the carrying amount of the property plant and equipment and note 2.10 for the useful economic lives for each class of assets.

(d) Lease accounting

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 lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, which does not have recent third-party financing; and
- Makes adjustments specific to the lease, e.g. term, currency and security.

The company used incremental borrowing rates specific to each lease and the rates range between 4.25%-8% translating to an average rate of 4.25%.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Notes to the financial statements (continued)
(All amounts are in £ thousands unless otherwise stated)

3 Critical accounting estimates and judgements (continued)

(d) Lease accounting (continued)

For leases of offices, warehouses and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).
- Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicle leases have not been included in the lease liability, because the company could replace the assets without significant cost of business disruption.

As at 31 December 2020, potential future cash outflows of £nil (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right of use assets of £nil.

4 Revenue

Analysis of revenue by geography:

	Year Ended 2020	Year Ended 2019
United Kingdom	1,460	1,959
Rest of Europe	425	555
Rest of the World	1,168	1,574
	3,053	4,088

Analysis of revenue by category:

	Year Ended 2020	Year Ended 2019
Services	3,053	4,088
	3,053	4,088

Notes to the financial statements (continued)
(All amounts are in £ thousands unless otherwise stated)

5 Operating profit / (loss)

Operating profit/(loss) is stated after charging / (crediting):

	Year Ended 2020	Year Ended 2019
Wages and salaries	1,133	1,339
Social security costs	124	149
Other pension costs (Note 17)	61	70
Staff costs	<u>1,318</u>	<u>1,558</u>
Profit on disposal of property, plant and equipment	-	(1)
Depreciation	173	169
Depreciation – Right of Use asset	129	128
Foreign exchange losses	260	1,613
Audit fees payable to the company's auditors	<u>-</u>	<u>133</u>

6 Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the Company during the period / year was:

	Year Ended 2020 Number	Year Ended 2019 Number
<i>By activity:</i>		
Management	4	4
Administration	13	15
	<u>17</u>	<u>19</u>

Directors

The directors' emoluments were as follows:

	Year Ended 2020	Year Ended 2019
Aggregate emoluments	301	199
Company contributions to money purchase pension schemes	8	7
	<u>309</u>	<u>206</u>

Highest paid director

The highest paid director's emoluments were as follows:

	Year Ended 2020	Year Ended 2019
Total amount of emoluments and amounts including amounts paid to money purchase pension schemes	<u>309</u>	<u>206</u>

Notes to the financial statements (continued)
(All amounts are in £ thousands unless otherwise stated)

7 Finance income and cost

Finance income

	Year Ended 2020	Year Ended 2019
Interest income on short term deposits	4	8
On loans with companies under common control	2,402	2,667
Total finance income	2,406	2,675

Finance costs

	Year Ended 2020	Year Ended 2019
On loan with company under common control	448	575
Finance lease liabilities	14	42
Total finance cost	462	617

Net finance income

	Year Ended 2020	Year Ended 2019
Interest income	(2,406)	(2,675)
Interest expense	462	617
Net finance income	(1,944)	(2,058)

8 Income from shares in Group undertakings

	Year Ended 2020	Year Ended 2019
Dividend income from group undertakings	2,295	6,201

9 Taxation

Tax expense included in profit or loss

	Year Ended 2020	Year Ended 2019
Current tax:		
– UK Corporation tax on profits for the year	39	51
– Adjustment in respect of prior years	-	23
– Foreign Tax suffered	-	14
Total current tax	39	88
Deferred tax:		
- Origination and reversal of timing differences	(63)	(8)
- Adjustment in respect of prior years	-	(21)
- Effect of changes in tax rates	(8)	1
Total deferred tax	(71)	(28)
Tax on profit	(32)	60

Notes to the financial statements (continued)

(All amounts are in £ thousands unless otherwise stated)

9 Taxation (continued)

Reconciliation of the total tax charge

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 19% (2019: 19%). The actual tax for the current year and prior year is different than the standard rate for the reasons set out in the following reconciliation:

	Year Ended 2020	Year Ended 2019
Profit before taxation	4,359	7,155
Profit multiplied by the standard rate of tax in the UK of 19.0% (2019: 19.0%):	828	1,359
Effects of:		
– Income not subject to tax	(436)	(1,178)
– Adjustments to tax charge in respect of prior years	-	3
– Expenses not deductible for tax purposes	-	5
– Group relief/other reliefs	(416)	(141)
– Effects of overseas tax rates	-	11
– Tax Rate Changes	(8)	1
Tax charge	(32)	60

Deferred tax asset	Total
At 1 January 2019	40
Credited to the income statement	28
At 31 December 2019	68
Credited to the income statement	71
At 31 December 2020	139

A change to the UK corporation tax rate was substantively enacted on 24 May 2021. The corporation tax main rate for the period beginning 1 April 2023 will increase to 25%. As the change was not substantively enacted at the balance sheet date the effect is not included in these financial statements.

If this change had been substantively enacted at the balance sheet date then the increase in the deferred tax charge / (credit) in the period would have been (£43,991).

Notes to the financial statements (continued)
(All amounts are in £ thousands unless otherwise stated)

10 Property, plant and equipment

	Short Leasehold	Fixtures and fittings	Total
Cost			
At 1 January 2020	1,493	1,983	3,476
Disposals	-	(11)	(11)
At 31 December 2020	1,493	1,972	3,465
Accumulated Depreciation			
At 1 January 2020	493	1,671	2,164
Charge for period	60	113	173
At 31 December 2020	553	1,784	2,337
Net Book Value			
At 31 December 2020	940	188	1,128
At 31 December 2019	1,000	312	1,312

11 Right of use asset

	Short Leasehold	Plant and machinery	Total
At 1 January 2019	3,787	40	3,827
Depreciation	(120)	(8)	(128)
At 31 December 2019	3,667	32	3,699
Depreciation	(120)	(9)	(129)
At 31 December 2020	3,547	23	3,570

Notes to the financial statements (continued)
(All amounts are in £ thousands unless otherwise stated)

12 Fixed asset Investments

	Shares in subsidiary undertakings
Cost and net book value	
At 1 January 2020 and 31 December 2020	15,727

Holdings marked * are held directly by the Company. All other holdings are held by subsidiary undertakings.

Group Undertakings	Place of incorporation	Holding	Class of shares
OEG Offshore UK Ltd Midmill Business Park, Kintore, Aberdeenshire, AB51 0QG	Scotland	100%*	Ordinary
OEG Middle East FZE JAFZA Views – LOB 18, 14 th Floor Office 1401, PO Box 17898, Dubai. UAE	UAE	100%	Ordinary
Ferguson Middle East LLC Ali and Sons Real Estate LLC Office 304/303 Umm Al Nar, Sas Al Nakhl Abu Dhabi. UAE	UAE	49%	Ordinary
OEG Offshore AS Plattformvegen 9 4056 Tananger. Norway	Norway	100%	Ordinary
Hoover Container Solutions Poland Sp Zoo Rynek Street 8 77-300 Czulchow	Poland	100%	Ordinary

13 Trade and other receivables

	Year Ended 2020	Year Ended 2019
Trade Debtors	1	-
Amounts owed by group undertakings	24,907	36,065
Other debtors	55	159
Deferred tax asset (Note 9)	139	68
Prepayments and accrued income	150	127
	25,252	36,419

The amount due by group undertakings represents an unsecured committed revolving loan facility as is subject to repayment in full or renewal on or before 28 January 2021. Interest is chargeable at the cost of funds plus a 7.25% margin.

Notes to the financial statements (continued)
(All amounts are in £ thousands unless otherwise stated)

14 Creditors: amounts falling due within one year

	Year Ended 2020	Year Ended 2019
Trade creditors	117	118
Amounts owed to group undertakings	120	167
Lease liabilities (Note 16)	205	478
Accruals and deferred income	296	439
	738	1,202

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

15 Creditors: amounts falling due after more than one year

	Year Ended 2020	Year Ended 2019
<i>Amounts falling due after more than one year:</i>		
Amounts owed to group undertakings	19,487	13,063
Lease liabilities (Note 16)	14	219
	19,501	13,282
 <i>Amounts falling due after more than five years:</i>		
Lease liabilities (Note 16)	-	-
	-	-

The loans due to group undertakings represents drawdowns under a committed revolving loan facility which is subject to renewal on 31 January 2022. Loan interest is charged based on the lender's cost of funds plus a margin of 7.25% or LIBOR less 0.125%, subject to a floor of not less than 0.125% set at the date of initial deposit and thereafter every month

Notes to the financial statements (continued)
(All amounts are in £ thousands unless otherwise stated)

16 Leases

The company has lease contracts for various offices, warehouses and equipment used in the operations. The amounts recognised in the financial statements in relation to the leases are as follows:

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

	Year Ended 2020	Year Ended 2019
Right of use assets		
Short Leasehold	3,547	3,667
Plant and Machinery	23	32
	3,570	3,699
Lease liabilities		
Current	205	478
Non current	14	219
	219	697

Additions to the right of use assets during the 2020 was £Nil (2019:£Nil).

(b) The income statement shows the following amounts relating to leases:

Depreciation charge of right of use assets

	Year Ended 2020	Year Ended 2019
Short leasehold	(120)	(120)
Plant and Machinery	(9)	(8)
	(129)	(128)
Interest expense (included in finance cost)	(14)	(42)
Expense relating to short-term leases (included in administrative expenses)	-	(11)
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	-	(7)

Notes to the financial statements (continued)
(All amounts are in £ thousands unless otherwise stated)

16 Leases (continued)

Future minimum lease payments as at 31 December are as follows:

	Year Ended 2020	Year Ended 2019
Not later than one year	209	500
Later than one year and not later than five years	14	223
Later than five years	-	-
Total gross payments	223	723
Impact of finance expenses	(4)	(26)
Carrying amount of liability	219	697

The total cash outflow for leases in 2020 was £500,000 (2019: £520,000).

17 Post employment benefits

Defined contribution scheme

The Company provides a defined contribution scheme for its employees.

The amount recognised as an expense for the defined contribution scheme was: £61,000 (year ended 2019: £70,000)

There were no outstanding pension contributions at the period end (year ended 2019: £Nil)

18 Share capital and reserves

Ordinary shares of £1.00 each

	31 Dec 20 £'000	31 Dec 20 No.	31 Dec 19 £'000	31 Dec 19 No.
Opening balance	100	100,001	100	100,001
Issued during the year	-	-	62	61,833
End of financial period	162	161,834	162	161,834

During 2019 61,833 x £1 shares were issued to Arden Holdings Limited at a value of £240.50 per share as part of a company reorganisation.

All issued share capital is fully paid with no rights to fixed income.

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

Other reserves is a non distributable reserve.

The retained earnings represent cumulative profits or losses net of dividends paid and other adjustments.

Notes to the financial statements (continued)
(All amounts are in £ thousands unless otherwise stated)

19 Contingent liabilities

The company and its fellow group companies are parties to a cross guarantee given in respect of a shared banking facility. At 31 December 2020, the company had contingent liabilities under the cross guarantee of £Nil (2019: £Nil)

20 Capital commitments

At 31 December 2020, the Company had capital commitments of £Nil (2019: £Nil).

21 Related party transactions

The Company has taken advantage of the exemption in paragraph 8(k) of FRS 101 not to disclose related party transactions with other wholly owned subsidiaries within the group.

22 Parent and ultimate controlling party

The immediate parent company is Arden Holdings Limited, a company registered in Scotland. The immediate parent of Arden Holdings Limited is OEG Offshore Group Limited, a company registered in England and Wales. The smallest group that includes the Company and for which consolidated financial statements are prepared and are publicly available is OEG Group Limited, a company registered in England and Wales with the registered office of c/o Harran Limited, Yarmouth Business Park, Thamesfield Way, Great Yarmouth, Norfolk, NR31 0ER. Morcell Limited, a company registered in Cyprus, is the largest group to consolidate these financial statements. A copy of the Morcell Group financial statements is available from Midmill Business Park, Kintore, Aberdeenshire, AB51 0QG. The ultimate controlling party of the Morcell Group is Lancaster Trustees Limited as Trustee of the Verona Trust.

Effective 11 April 2018 through to 25 November 2020, the Company's ultimate controlling party was First Reserve.

23 Post balance sheet events

No post balance sheet events.