

Company Registration No. 08236578 (England and Wales)

**OGH LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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# OGH LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	S P O'Donnell B Halpert (Appointed 12 February 2018)
<b>Company number</b>	08236578
<b>Registered office</b>	Palladium House 1-4 Argyll Street London W1F 7LD
<b>Auditor</b>	Hazlems Fenton LLP Chartered Accountants Palladium House 1-4 Argyll Street London W1F 7LD
<b>Business address</b>	Denmark House St Thomas Place Ely Cambridgeshire CB7 4EX

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# OGH LIMITED

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# OGH LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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The directors present the strategic report for the year ended 31 December 2016

### **Principal Activities**

The principal activity of OGH Limited is that of a holding company.

Its primary subsidiary, Oil & Gas Systems Limited ("OGSL") is concerned with the design and supply of bespoke engineered process packages and engineered metering systems to the oil, gas, power, chemical, and associated industries. It also supplies spare parts for these bespoke systems and provides site support services to our long standing customer base.

Its secondary subsidiary, Oil & Gas Measurement Limited ("OGML") is concerned with the research of, and development for class leading product technology with particular focus on design and supply of bespoke engineered flowmeters for fiscal metering, quality measurement and mixing systems, liquid sampling systems and equipment for the oil and gas industry.

### **Fair review of the business**

OGH Limited ("OGH") was established in 2012 to act as the holding company and strategic focal point for its group members. OGH oversees the developmental growth of several collaborative businesses and its aim is to create a vehicle that is recognisable throughout the world as a marquee of scientific and engineering excellence.

"Oil and Gas Holdings", the trading name for OGH, offers its group members a vehicle to consolidate their accounts and creates an environment where these developing businesses can be nurtured and allowed to flourish with an enhanced brand identity and corporate strength – something that will ultimately benefit both shareholders and the corporate group.

Global prices for crude oil fell significantly towards the end of 2015 and this had a major impact on the business of OGSL in this present financial year. The structural changes that were implemented in that business in 2015 helped to mitigate and manage this loss but it is, nonetheless, difficult to bear. We do however consider that 2016 was the nadir of this period and that 2017 will show OGSL return to profit.

The drive to design and engineer new and innovative products as OGML continues and the Company's continued investment in research and development is bringing the planned successes with a growth in intellectual property and expertise. We expect that in 2017, OGML will reach the end of its need for intensive investment in research and technology and that the Company will reach either a break-even position or become profitable through the sales of its revolutionary high-tech products.

So, despite a difficult 2016, we enter the next financial period with renewed confidence and in the belief that both of our major group subsidiaries, Oil & Gas Systems Limited and Oil & Gas Measurement Limited will show results much improved from the previous period.

# **OGH LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **Principal risks and uncertainties**

OGH trades through its subsidiaries Oil & Gas Systems Limited ("OGSL") and Oil & Gas Measurement Limited ("OGML"). As such, the principal risks and uncertainties for OGSL the larger of these subsidiaries are detailed below.

The financial instruments used by the Company arise wholly and directly from its activities. The financial instruments comprise debtors, cash at bank, trade creditors, trade financial instruments and loans and the Company has put in place the following measures in order to manage the financial risks arising from these financial instruments:

1. The Company regularly monitors the level of its debtors to ensure that they are always kept at reasonable levels.
2. The Company carefully manages its cash position by regularly monitoring its cash flow using cash flow forecasting. The company mitigates its exposure to currency fluctuations by the use of natural hedging.
3. The financial risk arising from the possible non advance of credit by the Company's creditors, either by exceeding the credit limit or not paying within the specified terms, is managed by regularly monitoring the trade balance and credit limit terms for all suppliers. Deposit accounts are used to hold large cash sums for the purpose of paying creditors when their amounts fall due.
4. The Company has a substantial long term loan facility at competitive rates which will allow it to drive its growth further.
5. The Company ensures that all invoices received from suppliers are paid within the invoice terms.
6. The Company has improved its foreign currency exposure and uses structured products to control currency risk.

# OGH LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### Development and performance

The Board of Directors is aware that the figures of OGH Limited, incorporating those of Oil & Gas Systems Limited and Oil & Gas Measurement Limited show substantial losses but consider that this is not a true reflection of the overall business situation of the OGM subsidiaries.

We make note that the 2015 drop in the price of the global price of crude oil created delayed aftershocks in the oil and gas engineering industries that were acutely felt by OGSL in 2016 resulting in a substantial reduction in turnover and profits. However, we stress that the difficult infrastructural changes made in OGSL in the previous years, laid a firm foundation for the business to rapidly recover and I expect that the 2017 figures will show a marked improvement on their present set of figures.

The losses attributable to OGML in the consolidated figures of OGH Limited are fully expected and due to the fact that OGML was first established as an R&D facility to design and engineer revolutionary products for the oil and gas engineering industries. This company also engages in In- House Manufacture and highly accurate Testing of its products. This has required a substantial amount of expected investment and therefore these "losses" should in fact be characterised as investment into the future of this business. This investment already sees the in-house development of completely novel technology and recorded intellectual property which we believe will bring future value, return on investment and profitability.

We therefore believe that whilst 2016 has been a difficult year for the subsidiaries of OGH Limited, the companies, along with their underlying subsidiaries, are laying a foundation for stability and future growth.

OGH Limited and its subsidiaries continually strive to maintain and enhance their reputations in ever changing environments and continue to forge strong relationships with our partners throughout the globe in preparation for the future.

We consider that with the price of crude oil becoming more stable, the major oil and gas producers are becoming increasingly confident in the markets and so willing to invest in their large development projects - many of which had been put "on hold". We consider that this confidence will lead into our business environment and so we have confidence going forwards.

### Key performance indicators

Key performance indicators are monitored on a monthly basis through its main subsidiaries of OGSL and OGML. These are typically determined to be gross margin and gross profit.

The gross profit margin has decreased to 13.97% (2015: 23.75%) from the previous year. Loss before tax has increased to £4,004,150 (2015: loss of £888,175). Administrative expenses have increased to 4,479,147 (2015: £3,547,251).

On behalf of the board



S P O'Donnell

Director

13<sup>th</sup> April 2018

# OGH LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2016

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The directors present their annual report and financial statements for the year ended 31 December 2016.

#### **Principal activities**

A holding company which has trading subsidiaries operating in the oil and gas sector.

#### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S P O'Donnell

J Lobo

L Makharinsky

M Gurevich

B Halpert

(Resigned 5 June 2017)

(Resigned 11 July 2017)

(Resigned 12 February 2018)

(Appointed 12 February 2018)

#### **Results and dividends**

The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

#### **Financial instruments**

##### ***Financial risk management***

The group's financial instruments comprise cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main financial risks arising from these financial instruments are currency, credit and liquidity risk.

The financial risks arising from these financial instruments are considered low because of the nature of the industry structure and its culture. The group proactively manages all aspects of its work in order to either remove or reduce any financial risks.

##### ***Liquidity risk***

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the group has sufficient liquid resources to meet the operating needs of the business.

##### ***Foreign currency risk***

The group's principal foreign currency exposures arise from trading with overseas companies. Group policy permits but does not demand that these exposures may be hedged in order to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

#### **Auditor**

The auditor, Hazlems Fenton LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

# OGH LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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On behalf of the board



.....  
S P O'Donnell

Director

Date: ..... 18<sup>th</sup> April 2018



# **OGH LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2016***

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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's 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. They 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.

# OGH LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OGH LIMITED

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We have audited the group financial statements of OGH Limited for the year ended 31 December 2016 set out on pages 9 to 35. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

# OGH LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF OGH LIMITED

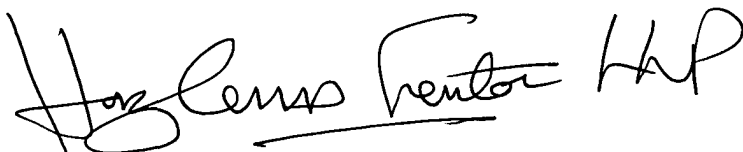
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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Michael Krieger FCA (Senior Statutory Auditor)  
for and on behalf of Hazlems Fenton LLP

18 April 2018.

Chartered Accountants  
Statutory Auditor

Chartered Accountants  
Palladium House  
1-4 Argyll Street  
London  
W1F 7LD

# OGH LIMITED

## GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
<b>Turnover</b>	<b>3</b>	4,954,843	11,905,494
Cost of sales		(4,262,516)	(9,078,170)
<b>Gross profit</b>		692,327	2,827,324
Administrative expenses		(4,479,147)	(3,547,251)
Other operating income		22,072	-
<b>Operating loss</b>	<b>4</b>	(3,764,748)	(719,927)
Interest receivable and similar income	<b>8</b>	1,790	3,887
Interest payable and similar expenses	<b>9</b>	(241,192)	(172,135)
<b>Loss before taxation</b>		(4,004,150)	(888,175)
Tax on loss	<b>10</b>	50,935	185
<b>Loss for the financial year</b>		(3,953,215)	(887,990)
Loss for the financial year is attributable to:			
- Owners of the parent company		(3,953,827)	(887,957)
- Non-controlling interests		612	(33)
		(3,953,215)	(887,990)

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

# OGH LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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	2016 £	2015 £
<b>Loss for the year</b>	(3,953,215)	(887,990)
<b>Other comprehensive income</b>		
Currency translation differences	62,399	67,098
<b>Total comprehensive income for the year</b>	<u>(3,890,816)</u>	<u>(820,892)</u>
 Total comprehensive income for the year is attributable to:		
- Owners of the parent company	(3,891,428)	(820,859)
- Non-controlling interests	612	(33)
	<u>(3,890,816)</u>	<u>(820,892)</u>

# OGH LIMITED

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
<b>Fixed assets</b>					
Goodwill	11		167,736		140,000
Negative goodwill	11		(164,501)		-
Net goodwill			3,235		140,000
Other intangible assets	11		1,713,848		902,393
Total intangible assets			1,717,083		1,042,393
Tangible assets	12		3,264,456		2,976,036
Investments	13		6,025		1,291
			4,987,564		4,019,720
<b>Current assets</b>					
Stocks	16	791,215		312,312	
Debtors	17	4,005,560		6,005,239	
Cash at bank and in hand		2,056,460		921,905	
		6,853,235		7,239,456	
<b>Creditors: amounts falling due within one year</b>	18	(7,502,834)		(6,591,583)	
<b>Net current (liabilities)/assets</b>			(649,599)		647,873
<b>Total assets less current liabilities</b>			4,337,965		4,667,593
<b>Creditors: amounts falling due after more than one year</b>	19		(9,371,655)		(5,847,629)
<b>Net liabilities</b>			(5,033,690)		(1,180,036)
<b>Capital and reserves</b>					
Called up share capital	23		3,111,291		3,111,291
Other reserves			141,365		138,122
Profit and loss reserves			(8,320,755)		(4,429,327)
<b>Equity attributable to owners of the parent company</b>			(5,068,099)		(1,179,914)
<b>Non-controlling interests</b>			34,409		(122)
			(5,033,690)		(1,180,036)

The financial statements were approved by the board of directors and authorised for issue on 18<sup>th</sup> April 2018 and are signed on its behalf by:



S P O'Donnell  
Director

# OGH LIMITED

## COMPANY BALANCE SHEET AS AT 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
<b>Fixed assets</b>					
Investments	13		3,111,916		3,111,916
<b>Current assets</b>					
Debtors	17	2,678,058		892,574	
Cash at bank and in hand		218,793		76,266	
		<u>2,896,851</u>		<u>968,840</u>	
<b>Creditors: amounts falling due within one year</b>	18	<u>(176,659)</u>		<u>(234,816)</u>	
<b>Net current assets</b>			<u>2,720,192</u>		<u>734,024</u>
<b>Total assets less current liabilities</b>			<u>5,832,108</u>		<u>3,845,940</u>
<b>Creditors: amounts falling due after more than one year</b>	19		<u>(2,801,447)</u>		<u>(770,371)</u>
<b>Net assets</b>			<u><u>3,030,661</u></u>		<u><u>3,075,569</u></u>
<b>Capital and reserves</b>					
Called up share capital	23	3,111,291		3,111,291	
Profit and loss reserves		<u>(80,630)</u>		<u>(35,722)</u>	
<b>Total equity</b>			<u><u>3,030,661</u></u>		<u><u>3,075,569</u></u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £44,908 (2015 - £14,366 loss).

The financial statements were approved by the board of directors and authorised for issue on 18<sup>th</sup> April 2018 and are signed on its behalf by:



S P O'Donnell  
Director

Company Registration No. 08236578

# OGH LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £	Other reserves £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
<b>Balance at 1 January 2015</b>		1,749,791	138,122	(3,608,468)	(1,720,555)	(89)	(1,720,644)
<b>Year ended 31 December 2015:</b>							
Loss for the year		-	-	(887,957)	(887,957)	(33)	(887,990)
Other comprehensive income:							
Currency translation differences		-	-	67,098	67,098	-	67,098
Total comprehensive income for the year		-	-	(820,859)	(820,859)	(33)	(820,892)
Issue of share capital	23	1,361,500	-	-	1,361,500	-	1,361,500
<b>Balance at 31 December 2015</b>		3,111,291	138,122	(4,429,327)	(1,179,914)	(122)	(1,180,036)
<b>Year ended 31 December 2016:</b>							
Loss for the year		-	-	(3,953,827)	(3,953,827)	612	(3,953,215)
Other comprehensive income:							
Currency translation differences on overseas subsidiaries		-	-	62,399	62,399	-	62,399
Total comprehensive income for the year		-	-	(3,891,428)	(3,891,428)	612	(3,890,816)
Transfers		-	3,243	-	3,243	-	3,243
Acquisition of non-controlling interests		-	-	-	-	33,919	33,919
<b>Balance at 31 December 2016</b>		3,111,291	141,365	(8,320,755)	(5,068,099)	34,409	(5,033,690)



# OGH LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2015</b>		1,749,791	(21,356)	1,728,435
<b>Year ended 31 December 2015:</b>				
Loss and total comprehensive income for the year		-	(14,366)	(14,366)
Issue of share capital	23	1,361,500	-	1,361,500
<b>Balance at 31 December 2015</b>		3,111,291	(35,722)	3,075,569
<b>Year ended 31 December 2016:</b>				
Loss and total comprehensive income for the year		-	(44,908)	(44,908)
<b>Balance at 31 December 2016</b>		3,111,291	(80,630)	3,030,661

# OGH LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	28		807,292		(955,146)
Interest paid			(241,192)		(172,135)
Income taxes refunded			40,226		185
<b>Net cash inflow/(outflow) from operating activities</b>			<b>606,326</b>		<b>(1,127,096)</b>
<b>Investing activities</b>					
Purchase of intangible assets		(904,774)		(459,900)	
Purchase of tangible fixed assets		(1,005,122)		(2,499,787)	
Proceeds on disposal of tangible fixed assets		-		12,498	
Interest received		1,790		3,887	
<b>Net cash used in investing activities</b>			<b>(1,908,106)</b>		<b>(2,943,302)</b>
<b>Financing activities</b>					
Proceeds from issue of shares		-		1,361,500	
Proceeds from borrowings		3,470,869		1,191,401	
Proceeds of new bank loans		-		1,000,000	
Repayment of bank loans		(1,000,000)		-	
Payment of finance leases obligations		(34,534)		(50,239)	
<b>Net cash generated from financing activities</b>			<b>2,436,335</b>		<b>3,502,662</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			<b>1,134,555</b>		<b>(567,736)</b>
Cash and cash equivalents at beginning of year			921,905		1,497,475
Effect of foreign exchange rates			-		(7,834)
<b>Cash and cash equivalents at end of year</b>			<b>2,056,460</b>		<b>921,905</b>

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

#### Company information

OGH Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Palladium House, 1-4 Argyll Street, London, W1F 7LD.

The group consists of OGH Limited and all of its subsidiaries.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include certain financial assets and liabilities at fair value. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £44,908 (2015: £14,366).

#### 1.2 Basis of consolidation

In the parent company's financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Investments in subsidiaries are accounted for at cost less impairment.

The consolidated financial statements incorporate those of OGH Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2016. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Neftegasmetrology LLC, Oil and Gas Measurement Technology LLC, Multi-Flow Valves Inc, Metering and Technology Ltd and Metering and Technology SAS have all been included in the group financial statements using the purchase method of accounting.

#### 1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Despite the group being in a loss making position, with a negative balance sheet, the directors are confident that the ultimate shareholders will continue to fund the group's working capital requirements such that it meets the group's creditors when they fall due.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 1 Accounting policies

(Continued)

#### 1.4 Turnover

Turnover is the total amount receivable by the company for equipment supplied and services provided, invoiced in accordance with contract payment terms once certain milestones have been reached and on the basis applied to long term contracts, excluding sales taxes and trade discounts.

Long term contracts are assessed on a contract-by-contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Turnover is ascertained in a manner appropriate to the stage of completion of the contract.

Turnover not relating to long term contracts represents amounts receivable for equipment, spare parts, rental income and site services net of sales taxes and trade discounts.

Other income represents the total amounts receivable for project management and from the recharge of administrative costs to other companies.

Revenue from the provision of project management and site services is recognised upon completion of the service.

Revenue from the sale of equipment and spare parts is recognised when the significant risks and rewards of ownership of the items have passed to the buyer (usually on dispatch of the items), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### 1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is ten years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

#### 1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Development Costs	10 years straight line
Other intangibles	5 years straight line

Development costs are only amortised once the asset is completed and there is a related income stream or cost reduction.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

(Continued)

##### 1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	25% Reducing balance basis
Fixtures, fittings and equipment	25% - 37.5% Reducing balance basis
Motor vehicles	17% Straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

##### 1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

##### 1.9 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### 1.10 Stocks

Stock represents spares for engineering projects and for resale.

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell on a first in, first out basis. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

#### 1.11 Long term construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting end date. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract turnover, the expected loss is recognised as an expense immediately.

Where the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as expenses in the period in which they are incurred and contract revenue is recognised to the extent of contract costs incurred where it is probable that they will be recoverable.

The "percentage of completion method" is used to determine the appropriate amount to recognise in a given period. The stage of completion is measured by the proportion of contract costs incurred for work performed to date compared to the estimated total contract costs. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. These costs are presented as stocks, prepayments or other assets depending on their nature, and provided it is probable they will be recovered.

#### 1.12 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.13 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

#### **Trade and other debtors**

Trade and other debtors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less impairment losses for bad and doubtful debts except where the effect of discounting would be immaterial. In such cases, the debtors are stated at cost less impairment losses for bad and doubtful debts.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a 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 amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### ***Other financial liabilities***

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### ***Trade and other creditors***

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 and other creditors are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.14 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

### 1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### ***Current tax***

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.



# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.16 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.17 Retirement benefits**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### **1.18 Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the asset's fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### **1.19 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

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### 2 Judgements and key sources of estimation uncertainty

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

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

#### **Key sources of estimation uncertainty**

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### ***Useful lives of tangible fixed assets***

The cost of tangible fixed assets is depreciated over its estimated useful economic life. Management estimates the useful lives of these tangible assets to vary. Changes in the expected level of usage and technological developments could impact on the useful economic lives and the residual values of these assets; therefore, future depreciation charges could be revised. The accounting policy of tangible fixed assets is described in note 1.7. The carrying amount of the group's tangible fixed assets in the balance sheet is disclosed in note 12 of the financial statements.

#### ***Warranty***

A warranty provision is provided on the construction contracts, providing for the anticipated cost of the labour and parts necessary to repair systems during the warranty period. The estimated warranty costs are accounted for by accruing these costs for each contract upon completion of the contract.

#### ***Construction contracts***

The group recognises contract revenue and expenses in the income statement by using the stage of completion method. The stage of completion is determined by the proportion that contract costs incurred for work performed to date to the estimated total contract costs. Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and costs, as well as the recoverability of the contracts. In determining the stage of completion of any contract, the group will also base its judgement on past experience and by relying on the work of specialists.

#### ***Stock***

The group writes down stock to net realisable value based on an estimate of the realisable value of stock. Written down stock is recorded when events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate or judgement, such difference will impact the carrying value of stock and write-downs of stock in the periods in which such estimates or judgements have been changed. The accounting policy of stocks is described in note 1.10. At the year end the carrying amount of stocks is stated in note 16.

#### ***Impairment of trade debtors***

The group reviews trade debtor balances for impairment and this is performed on a regular basis. Those balances which are considered to be recoverable remain in trade debtors and those which are not, are impaired and the impairment loss is recorded in the profit or loss. In making this judgement, the company evaluates, among other factors, the duration and the financial health of and short-term business outlook for the trade debtors, including factors such as industry and sector performance. The accounting policy of trade debtors is described in note 1.13. At the year end the carrying amount of trade debtors is stated in note 17

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016 £	2015 £
<b>Turnover analysed by class of business</b>		
Contract sales, spares and site services	4,954,843	11,905,494
	<u>4,954,843</u>	<u>11,905,494</u>
	2016 £	2015 £
<b>Other significant revenue</b>		
Interest income	1,790	3,887
	<u>1,790</u>	<u>3,887</u>
	2016 £	2015 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	814,436	2,632,361
Europe	76,630	36,959
Rest of the world	4,063,777	9,236,174
	<u>4,954,843</u>	<u>11,905,494</u>

### 4 Operating loss

	2016 £	2015 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	282,707	112,371
Research and development costs	47,049	16,535
Depreciation of owned tangible fixed assets	948,479	339,250
Depreciation of tangible fixed assets held under finance leases	15,130	20,174
Profit on disposal of tangible fixed assets	-	(1,661)
Amortisation of intangible assets	48,819	17,546
Cost of stocks recognised as an expense	2,643,831	6,942,926
Operating lease charges	129,555	120,111
	<u>2,643,831</u>	<u>6,942,926</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £282,707 (2015 - £112,371).

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 5 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	27,233	9,000
Audit of the financial statements of the company's subsidiaries	12,000	2,000
	<u>39,233</u>	<u>11,000</u>

### 6 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2016 Number	2015 Number
Workshop and engineering	79	81
Administration	7	14
Sales	4	9
Management	3	3
	<u>93</u>	<u>107</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	3,115,209	3,848,138
Social security costs	339,977	356,783
Pension costs	26,458	24,329
	<u>3,481,644</u>	<u>4,229,250</u>

### 7 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	106,760	108,524
Company pension contributions to defined contribution schemes	946	711
	<u>107,706</u>	<u>109,235</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 1).

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 8 Interest receivable and similar income

	2016 £	2015 £
<b>Interest income</b>		
Interest on bank deposits	1,087	3,887
Other interest income	703	-
<b>Total income</b>	<u>1,790</u>	<u>3,887</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>1,087</u>	<u>3,887</u>
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### 9 Interest payable and similar expenses

	2016 £	2015 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on finance leases and hire purchase contracts	3,483	4,095
Other interest on financial liabilities	223,804	165,139
	<u>227,287</u>	<u>169,234</u>
<b>Other finance costs:</b>		
Other interest	13,905	2,901
<b>Total finance costs</b>	<u>241,192</u>	<u>172,135</u>

### 10 Taxation

	2016 £	2015 £
<b>Current tax</b>		
Adjustments in respect of prior periods	-	(313)
Foreign current tax on profits for the current period	(50,935)	128
<b>Total current tax</b>	<u>(50,935)</u>	<u>(185)</u>

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 10 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Loss before taxation	(4,004,150)	(888,175)
Expected tax credit based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	(800,830)	(177,635)
Tax effect of expenses that are not deductible in determining taxable profit	772	1,190
Tax effect of utilisation of tax losses not previously recognised	-	(32,285)
Unutilised tax losses carried forward	652,084	95,894
Adjustments in respect of prior years	2	(313)
Permanent capital allowances in excess of depreciation	(12,295)	(20,948)
Depreciation on assets not qualifying for tax allowances	38,660	38,832
Foreign exchange differences	70,672	95,080
Taxation credit for the year	(50,935)	(185)

### 11 Intangible fixed assets

Group	Goodwill £	Negative goodwill £	Development Costs £	Other intangibles £	Total £
<b>Cost</b>					
At 1 January 2016	175,000	-	902,000	439	1,077,439
Additions - internally developed	-	-	575,018	-	575,018
Additions - separately acquired	45,851	(166,739)	-	-	(120,888)
Additions - business combinations	-	-	-	271,609	271,609
Exchange adjustments	-	(3,320)	-	357	(2,963)
At 31 December 2016	220,851	(170,059)	1,477,018	272,405	1,800,215
<b>Amortisation and impairment</b>					
At 1 January 2016	35,000	-	-	46	35,046
Amortisation charged for the year	19,028	(5,558)	-	35,349	48,819
Exchange adjustments	(913)	-	-	180	(733)
At 31 December 2016	53,115	(5,558)	-	35,575	83,132
<b>Carrying amount</b>					
At 31 December 2016	167,736	(164,501)	1,477,018	236,830	1,717,083
At 31 December 2015	140,000	-	902,000	393	1,042,393

The company had no intangible fixed assets at 31 December 2016 or 31 December 2015.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 11 Intangible fixed assets

(Continued)

### 12 Tangible fixed assets

Group	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2016	2,597,255	1,546,312	65,552	4,209,119
Additions	1,217,556	59,174	-	1,276,730
Business combinations	60,243	9,314	-	69,557
Disposals	-	(3,171)	-	(3,171)
Exchange adjustments	49,933	-	-	49,933
At 31 December 2016	3,924,987	1,611,629	65,552	5,602,168
<b>Depreciation and impairment</b>				
At 1 January 2016	178,154	998,710	56,219	1,233,083
Depreciation charged in the year	813,490	141,881	8,238	963,609
Eliminated in respect of disposals	-	(3,171)	-	(3,171)
Exchange adjustments	144,191	-	-	144,191
At 31 December 2016	1,135,835	1,137,420	64,457	2,337,712
<b>Carrying amount</b>				
At 31 December 2016	2,789,152	474,209	1,095	3,264,456
At 31 December 2015	2,419,101	547,602	9,333	2,976,036

The company had no tangible fixed assets at 31 December 2016 or 31 December 2015.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2016 £	2015 £	Company 2016 £	2015 £
Fixtures, fittings and equipment	45,391	60,521	-	-
Depreciation charge for the year in respect of leased assets	15,130	20,174	-	-

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 13 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	14	-	-	3,111,916	3,111,916
Unlisted investments		6,025	1,291	-	-
		<u>6,025</u>	<u>1,291</u>	<u>3,111,916</u>	<u>3,111,916</u>

#### Movements in fixed asset investments Group

	Investments other than loans £
<b>Cost or valuation</b>	
At 1 January 2016	1,291
Additions	4,734
	<u>6,025</u>
At 31 December 2016	
<b>Carrying amount</b>	
At 31 December 2016	<u>6,025</u>
At 31 December 2015	<u>1,291</u>

#### Movements in fixed asset investments Company

	Shares in group undertakings £
<b>Cost or valuation</b>	
At 1 January 2016 and 31 December 2016	<u>3,111,916</u>
<b>Carrying amount</b>	
At 31 December 2016	<u>3,111,916</u>
At 31 December 2015	<u>3,111,916</u>



# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 14 Subsidiaries

Details of the company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Oil & Gas Systems Limited	England	The design and supply of bespoke engineered process packages and engineered metering systems	Ordinary	100	
Oil & Gas Measurement Limited	England	Producing oil sampling equipment for the oil and gas exploration industry	Ordinary	100	
Maurer Technologies Limited	England	Non-trading	Ordinary		100
Maurer Instruments Limited	England	Non-trading	Ordinary		100
Flow Calibration Services Limited	England	Non-trading	Ordinary		100
Oil & Gas Services Limited	England	Dormant	Ordinary	100	
Oil & Gas Manufacturing Limited	England	Dormant	Ordinary		100
Multi-Flow Valves, Inc	USA	Producing multi flow valves for the oil and gas industry	Ordinary	100	
Oil & Gas Measurement Technology LLC	Russia	Producing oil sampling equipment for the oil and gas exploration industry	Ordinary		100
Neftegasmetrology LLC	Russia	Producing oil sampling equipment for the oil and gas exploration industry	Ordinary		100
Metering & Technology Ltd	England	Holding Company	Ordinary		82
Metering & Technology SAS	France	Manufacturing flow meters and conditioners	Ordinary		82

On 1 September 2016, OGH indirectly acquired 82% of the ordinary share capital of Metering & Technology Ltd, a UK holding company, and its wholly owned trading subsidiary Metering & Technology SAS, a company registered in France, by virtue of its holding in Oil & Gas Measurement Limited.

All the business combinations have been accounted for under merger accounting apart from Maurer Instruments Limited, Flow Calibration Services Limited and Neftegasmetrology LLC which have been accounted for under acquisition accounting. The subsidiary accounts that have been consolidated into the group all cover the year ended 31 December 2016 with the exception of Metering & Technology Ltd and its subsidiary, Metering & Technology SAS, which have been consolidated from its acquisition date at 1st September 2016.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 15 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	1,761,192	1,892,308	2,678,058	789,319
Equity instruments measured at cost less impairment	6,025	1,291	-	-
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	16,730,085	12,330,780	2,974,157	1,005,072

### 16 Stocks

	Group 2016 £	2015 £	Company 2016 £	2015 £
Raw materials and consumables	96,061	-	-	-
Finished goods and spares/parts for resale	695,154	312,312	-	-
	791,215	312,312	-	-

### 17 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
<b>Amounts falling due within one year:</b>				
Trade debtors	1,794,837	1,792,636	5,997	18,999
Unpaid share capital	501	501	-	-
Corporation tax recoverable	12,062	-	-	-
Amounts owed by group undertakings	-	-	2,671,801	756,089
Other debtors	462,221	559,894	260	14,231
Prepayments and accrued income	1,735,939	3,652,208	-	103,255
	4,005,560	6,005,239	2,678,058	892,574

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 18 Creditors: amounts falling due within one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts	20	-	1,000,000	-	-
Obligations under finance leases	21	33,389	31,017	-	-
Other borrowings	20	234,042	324,105	-	-
Trade creditors		4,638,680	3,849,290	136,095	133,745
Amounts due to group undertakings		-	-	-	19,568
Corporation tax payable		1,353	-	-	-
Other taxation and social security		143,051	108,432	3,949	115
Other creditors		1,179,965	190,032	-	56,918
Accruals and deferred income		1,272,354	1,088,707	36,615	24,470
		<u>7,502,834</u>	<u>6,591,583</u>	<u>176,659</u>	<u>234,816</u>

### 19 Creditors: amounts falling due after more than one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Obligations under finance leases	21	1,634	38,540	-	-
Other borrowings	20	9,370,021	5,809,089	2,801,447	770,371
		<u>9,371,655</u>	<u>5,847,629</u>	<u>2,801,447</u>	<u>770,371</u>

### 20 Loans and overdrafts

	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans	-	1,000,000	-	-
Other loans	9,604,063	6,133,194	2,801,447	770,371
	<u>9,604,063</u>	<u>7,133,194</u>	<u>2,801,447</u>	<u>770,371</u>
Payable within one year	234,042	1,324,105	-	-
Payable after one year	9,370,021	5,809,089	2,801,447	770,371

The bank loans bear interest at an average rate of 1.6125%, are unsecured and repayable with a maturity of six months.

Other loans bear interest at a rate of 1.625%, are unsecured and repayable on demand with no fixed repayment date.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 21 Finance lease obligations

	Group 2016 £	2015 £	Company 2016 £	2015 £
Future minimum lease payments due under finance leases:				
Within one year	5,497	31,017	-	-
In two to five years	29,526	38,540	-	-
	<u>35,023</u>	<u>69,557</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Finance lease obligations are secured by way of a first legal charge over the relevant fixed asset.

### 22 Retirement benefit schemes

	2016 £	2015 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>26,458</u>	<u>24,329</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

### 23 Share capital

	Group and company	
	2016 £	2015 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
1,373,378 Ordinary shares of £1 each	<u>1,373,378</u>	<u>1,373,378</u>
<b>Preference share capital</b>		
<b>Issued and fully paid</b>		
3,500,000 Preference shares of \$1 each	<u>1,737,913</u>	<u>1,737,913</u>

The preference shares have no voting rights attached to them.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 24 Operating lease commitments

#### Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Within one year	89,832	80,460	-	-
Between two and five years	96,803	117,730	-	-
In over five years	-	20,875	-	-
	<u>186,635</u>	<u>219,065</u>	<u>-</u>	<u>-</u>

### 25 Related party transactions

#### Remuneration of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2016 £	2015 £
Aggregate compensation	<u>251,642</u>	<u>291,204</u>

Turnover includes amounts received from the following connected companies in respect of engineering goods and services provided:-

- Arusa Trade & Finance Inc £245,695 (2015: £5,147)
- Technoimpex Engineering Limited £16,318 (2015: £274,033)
- Industrial Metering Systems Limited £63,476 (2015: £17,480)

Cost of sales includes amounts paid to the following connected companies in respect of engineering goods and services provided:-

- Arusa Trade & Finance Inc £21,812 (2015: £nil)

Included in trade debtors at the year end are balances due from the following connected companies:-

- Arusa Trade & Finance Inc £227,723 (2015: £5,147)
- Technoimpex Engineering Limited £nil (2015: £2,601)
- Industrial Metering Systems Limited £69,868 (2015: £36,000)

At the year end, the group owed Talesword Limited, a connected company, £7,344,112 (2015: £5,079,727) on which interest of £115,626 (2015: £80,640) was charged at an annual rate of 1.625%.

At the year end, the group owed Technoimpex Engineering Limited, a connected company, £nil (2015: £200,150) on which no interest was charged.

The company has taken advantage of the exemption available in accordance with paragraph 33.1A of FRS 102 'Related party disclosures' not to disclose transactions entered into between two or more members of a group, as the company has wholly owned subsidiary undertakings to which it is party to the transactions.

# OGH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

### 26 Directors' transactions

Interest free loans have been granted by the group to its directors as follows:

Description	% Rate	Opening balance £	Closing balance £
S P O'Donnell -	-	27,293	27,293
		<u>27,293</u>	<u>27,293</u>

### 27 Controlling party

In the opinion of the directors the ultimate controlling party is the Solaris Trust.

### 28 Cash generated from group operations

	2016 £	2015 £
Loss for the year after tax	(3,953,215)	(887,990)
Adjustments for:		
Taxation credited	(50,935)	(185)
Finance costs	241,192	172,135
Investment income	(1,790)	(3,887)
Gain on disposal of tangible fixed assets	-	(1,661)
Amortisation and impairment of intangible assets	48,819	17,546
Depreciation and impairment of tangible fixed assets	963,609	359,424
Foreign exchange gains on cash equivalents	-	7,834
Movements in working capital:		
(Increase)/decrease in stocks	(478,903)	44,194
Decrease/(increase) in debtors	2,007,007	(637,211)
Increase/(decrease) in creditors	2,031,508	(25,345)
<b>Cash generated from/(absorbed by) operations</b>	<u>807,292</u>	<u>(955,146)</u>