

Harris Pye Service Co Limited

Annual report and financial statements

Registered number 02359988

31 December 2018



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Strategic Report

The directors present the Strategic Report for the year ended 31 December 2018.

Principal activities

The principal activity of the company during the year was to provide management and related services to other group companies. Costs of services are recharged to the other group companies after applying an appropriate mark-up.

Harris Pye Service Co Limited is part of the Harris Pye Engineering Group which undertakes insitu upgrades and conversions of drilling platforms, floating production systems, ship repair and conversions, industrial land-based projects, ballast water treatments, exhaust gas scrubbing systems, low sulphur technology and the repair of marine boilers and associated steam systems.

Business review and future prospects

Key performance indicators

	2018	2017	Absolute change
	£	£	£
Turnover	1,668,317	1,577,922	90,395
Gross margin	48,385	65,283	(16,898)
Operating margin	107,964	65,283	42,681

As shown in the Profit and Loss Account, the company's turnover has increased by 5.7% compared with the prior year. The increase is as a result of a slight increase in staff numbers, the revenue of the company being derived from the re-charge of this staff across the group. The company achieved a gross margin after direct costs of 3% (2017: 4%). Profit before tax was £107,910 (2017: £65,006).

The directors do not expect any significant change in operations in the coming year.

Financial and operational risk management

The directors continually review the financial and operational risk management policies of the company and its group. A full risk assessment is undertaken for all contracts before issuing quotations to customers.

By operating appropriate certified management systems, Harris Pye Engineering Group is committed to providing the highest standard of design, service and quality for all products supplied and installed to customers' requirements. Harris Pye has a rigorous approach to quality:

- Compliance to all major classification societies & clients' requirements;
- ASME accreditation for ASME "R", "U" and "S" stamp which allows us to design, repair and build pressure vessels to the ASME Pressure Vessel code;
- API Q1 compliant;
- Fully approved by LRQA to current ISO 9001:2008 for all project repair requirements;
- Project management planning and execution;
- BS OHSAS 18001:2007 and ISO 14001:2004; and
- Qualified FPAL supplier.

Management recognise the need to balance the group's business aims with control of the health & safety risks arising from work activities and the effect those activities may have on the environment.

Strategic Report *(continued)*

Credit risk

Appropriate terms are negotiated with suppliers and customers. Management reviews these terms and manages any exposure on normal trade terms. The directors do not consider there to be any significant risks in relation to prices and credit as the group is not dependent on any one customer or group of customers.

Cash flow risks

The company makes use of forward currency contracts as and when required in order to hedge against movements in foreign currencies. The company does not use derivatives to manage currency risk arising from amounts due to and from group undertakings and the group does not enter into any financial instruments for speculative purposes.

Liquidity risk

The company prepares regular forecasts of cash flow and liquidity and ensures that sufficient funds are available for ongoing operations and future developments by using a mixture of long-term and short-term finance. The current group bank facilities are to be reviewed on 31 July 2020. It is not anticipated that any change will be required to the present facilities.

Future prospects

The company trades with a number of customers and suppliers across different geographical locations and industries. Accordingly, the directors believe that the group is well placed to continue to manage its business successfully and to obtain a significant share of new work in these areas. On this basis the directors continue to be confident about the company's future prospects.

Brexit Impact

The company does not foresee the outcome of Brexit having a major impact on trading. Our group customer base is spread worldwide with only 32% of revenue generated in the UK and the EU. We also have multiple manufacturing sites across the world so any fabrication of materials on a critical path can be diverted to other sites outside the UK and the EU.

By order of the board


A D Oseland
Director

27/09/19

Harris Pye House
Sutton Road
Llandow
Vale of Glamorgan
CF71 7PA

2019

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Directors

The directors of the company who served during the financial year and subsequently to the date of this report were:

N A Hopkins (resigned 15 August 2018)

A D Oseland (appointed 20 June 2018)

T David (appointed 1 July 2018, resigned 28 August 2019)

Dividends

Dividends of £nil (2017: £nil) were approved and paid during the year. None were proposed after year end.

Other information

An indication of likely future developments in the business has been included in the Strategic Report on page 1.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

KPMG resigned as auditors during the year and Deloitte LLP were appointed. A resolution to reappoint Deloitte LLP will be put to the members at the Annual General Meeting.

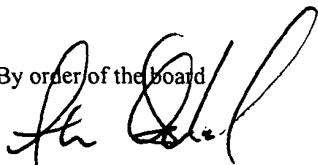
Directors' Report *(continued)*

Going concern

The company is a wholly-owned subsidiary of the Harris Pye Engineering Group Limited, which trades with a number of customers and suppliers across different geographical areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully in the current economic environment. The company is party to the group banking facilities available, including term loans and a composite overdraft facility of £5,000,000.

After making enquires, particularly reviewing the current order book, budgets, cash flow forecasts and support available from its parent company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

By order of the board



27.09.19

A Oseland
Director

Harris Pye House
Sutton Road
Llandow
Vale of Glamorgan
CF71 7PA

2019

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Harris Pye Service Co Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Harris Pye Service Co Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st of December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the accounting policies; and
- the related notes 1 to 15.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of Harris Pye Service Co Limited (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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.

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

Independent auditor's report to the members of Harris Pye Service Co Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



Andrew Woodhead
For and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom

Date... 27 September 2019

Profit and loss account
for the year ended 31 December 2018

	<i>Notes</i>	2018 £	2017 £
Turnover	2	1,668,317	1,577,922
Cost of sales		(1,619,932)	(1,512,639)
Gross profit		48,385	65,283
Administrative expenses		(400)	-
Other operating income	3	59,979	-
Operating profit		107,964	65,283
Interest receivable and similar income	6	-	-
Interest payable and similar expenses	7	(54)	(277)
Profit before taxation	2-7	107,910	65,006
Tax on profit	8	-	-
Profit for the financial year		107,910	65,006

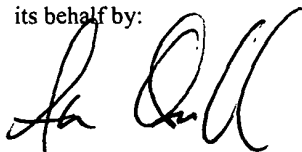
All activities derive from continuing operations.

There have been no recognised gains and losses for the current financial year or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of other comprehensive income is presented.

Balance sheet
at 31 December 2018

	<i>Notes</i>	2018 £	2017 £
Current assets			
Debtors	9	5,462,605	3,406,067
Creditors: amounts falling due within one year	10	(3,941,745)	(1,993,117)
Net current assets		<u>1,520,860</u>	<u>1,412,950</u>
Total assets less current liabilities, being net assets		<u>1,520,860</u>	<u>1,412,950</u>
Capital and reserves			
Called up share capital	11	708,000	708,000
Profit and loss account		<u>812,860</u>	<u>704,950</u>
Shareholders' funds		<u>1,520,860</u>	<u>1,412,950</u>

The financial statements were approved by the board of directors on *27 September* 2019 and were signed on its behalf by:



27.09.19

A N Oseland
Director

Company registered number: 02359988

Statement of Changes in Equity
for the year ended 31 December 2018

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2017	708,000	639,944	1,347,944
Total comprehensive income for the year:			
Profit for the financial year	-	65,006	65,006
Total comprehensive income for the year	-	65,006	65,006
Balance at 31 December 2017	708,000	704,950	1,412,950

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2018	708,000	704,950	1,412,950
Total comprehensive income for the year:			
Profit for the financial year	-	107,910	107,910
Total comprehensive income for the year	-	107,910	107,910
Balance at 31 December 2018	708,000	812,860	1,520,860

Notes

(forming part of the financial statements)

1 Accounting policies

Harris Pye Service Co Limited (the "Company") is a private company limited by shares and incorporated, domiciled and registered in the UK (Wales).

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102").

The Company's parent undertaking, Harris Pye Engineering Group Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Harris Pye Engineering Group Limited are available to the public and may be obtained from the address in note 14. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Harris Pye Engineering Group Limited include the disclosures equivalent to those required by FRS102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 15.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The company is a wholly-owned subsidiary of the Harris Pye Engineering Group Limited, which trades with a number of customers and suppliers across different geographical areas and industries. As a consequence, the directors believe that the group is well placed to manage its business risks successfully in the current economic environment. The company is party to the group banking facilities available, including term loans and a composite overdraft facility of £5,000,000.

After making enquires, particularly reviewing the current order book, budgets, cash flow forecasts and support available from its parent company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes (continued)

1 Accounting policies (continued)

1.3 Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.4 Employee benefits

Defined contribution plans

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

1.5 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover from the rendering of services is recognised by reference to the costs incurred for work performed to date. Costs of services are recharged to other group companies after applying an appropriate mark up.

1.6 Taxation

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

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

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

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

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

Notes (continued)

2 Turnover

Turnover mainly represents income generated by the company from its principal activity of providing management and related services to other group companies.

The geographical split of turnover by destination is as follows:

	2018 £	2017 £
United Kingdom	1,663,516	1,097,935
Middle East	966	151,688
Asia	-	328,299
South America	3,835	-
	<u>1,668,317</u>	<u>1,577,922</u>

3 Expenses and Auditor's remuneration

The auditor's remuneration for auditing of the financial statements of £3,500 (2017: £3,500) has been paid by Harris Pye United Kingdom Limited, a fellow group company.

Other operating income relates to fees charged to other group companies for services provided.

4 Directors' emoluments

	2018 £	2017 £
Directors' remuneration:		
Emoluments	151,386	11,000
Company contributions to money purchase pension scheme	26,019	10,000
	<u>177,405</u>	<u>21,000</u>
	No.	No.
Number of directors who are members of a money purchase pension scheme	<u>3</u>	<u>1</u>

Notes (continued)

5 Staff numbers and costs

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

	2018 No.	2017 No.
Administrative	38	35

The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	1,414,172	1,348,513
Social security costs	176,540	146,288
Contributions to defined contribution plans	29,220	17,838
	<u>1,619,932</u>	<u>1,512,639</u>

6 Interest receivable and similar income

	2018 £	2017 £
Bank interest receivable	-	-

7 Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	54	277

Notes (continued)

8 Taxation

Total tax recognised in the profit and loss account and other comprehensive income

	2018 £	2017 £
<i>Current tax</i>		
UK Corporation tax	-	-
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total tax (all recognised in the profit and loss account)	-	-
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2018 £	2017 £
Profit for the year	107,910	65,006
Total tax expense	-	-
	<hr/>	<hr/>
Profit excluding taxation	107,910	65,006
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	20,503	12,514
Group relief received for no consideration	(20,503)	(12,514)
	<hr/>	<hr/>
Total tax expense included in profit or loss	-	-
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

9 Debtors

	2018 £	2017 £
Amounts owed by group undertakings	5,429,132	3,406,067
Other debtors	33,473	-
	<hr/>	<hr/>
	5,462,605	3,406,067
	<hr/>	<hr/>

Amounts owed from (to) group undertakings are interest free, unsecured and repayable on demand.

Notes (continued)

10 Creditors: amounts falling due within one year

	2018 £	2017 £
Bank overdraft	2,133,312	315,342
Amounts owed to group undertakings	1,736,990	1,652,132
Other taxes and social security	70,954	-
Other creditors	489	25,643
	<u>3,941,745</u>	<u>1,993,117</u>

Amounts owed from (to) group undertakings are interest free, unsecured and repayable on demand.

11 Called up share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
708,000 Ordinary shares of £1 each	<u>708,000</u>	<u>708,000</u>

Ordinary shares are fully participating with voting rights and dividend entitlement.

12 Employee benefits

The company operates a defined contribution pension plan. The pension cost for the year amounted to £29,220 (2017: £17,838). There were no outstanding contributions due to the fund at the current or previous year end.

13 Related party transactions

The company has taken advantage of the exemption conferred under FRS 102 section 33.1A not to disclose transactions with entities, 100% of whose voting rights are controlled within the group.

14 Ultimate parent company and controlling party

Following the acquisition of the Harris Pye Engineering group (of which this company is a member) during the year, the Company is now a subsidiary undertaking of KKR OMRO Holdings L.P. incorporated in the Cayman Islands, which the directors consider to be the ultimate controlling party.

The only group for which the results of the Company are consolidated is that headed by Harris Pye Engineering Group Limited. The consolidated financial statements of Harris Pye Engineering Group Limited are available to the public and may be obtained from the registered office (Harris Pye House, Sutton Road, Llandow, Vale of Glamorgan CF71 7PA).

15 Accounting estimates and judgements

Key sources of estimation uncertainty

There are no key assumptions concerning the future or other key sources of estimation uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year.

Critical accounting judgements in applying the Company's accounting policies

There are no critical accounting judgements that are likely to affect the current or future financial years.