

SC120673



RWG (Repair & Overhauls) Limited
Annual Report and Financial Statements 2020



RWG (Repair & Overhauls) Limited – SC120673

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Strategic report for the year ended 31 December 2020

The directors present their strategic report on the group for the year ended 31 December 2020.

Our business

The principal activities during the year of the company and its subsidiary undertakings (together “the Group”) were the provision of repair and overhaul services to operators of industrial aero-derivative gas generators in the global oil and gas, power generation, and marine propulsion industries. Our service capability covers SGT-A20 (Industrial Avon), SGT-A35 (Industrial RB211), SGT-A05 (Industrial 501), Rolls-Royce marine 501K, Olympus, Spey, Tyne, WR-21, and 570 gas generators as well as the specialist refurbishment of components.

2020 was an extraordinary year with no individual or business unaffected by the Covid-19 pandemic. Despite all the challenges and uncertainty that resulted from Covid-19 and the dramatic drop in the oil price, RWG’s resilience is clear in the 2020 results. The solid performance is testimony to our employees who were fully engaged in keeping everyone in RWG safe and well and in ensuring customers’ needs were fulfilled whether from our facilities or from working at home during these unprecedented times.

Although the group results for 2020 were lower than reported for 2019, the results exceeded the targets set earlier in the year in response to the pandemic and the drop in oil price with some engine groups actually exceeding pre-Covid targets. To complement the success in the engine groups, our Advanced Remanufacturing Business also delivered a solid performance in 2020 and continued to develop new repairs to offer cost effective repair options to support existing and new customers.

Covid restrictions and operations review resulted in a number of non-critical capital equipment projects being deferred but will be progressed in 2021 to continue with plan to replace aging assets, improve IT systems and further expansion of Advanced Remanufacturing capabilities.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

Section 172 (1) of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision-making. The Directors continue to have regard to the interests of the Group’s employees and other stakeholders, including the impact of its activities on the community, the environment and the Group’s reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Group for its members in the long term.

The Directors are fully aware of their responsibilities to promote the success of the Group in accordance with section 172 (1) of the Companies Act 2006 and ensure good corporate practice. The Board reflects on how the Group engages with its stakeholders and opportunities for enhancement in the future. The relevance of each stakeholder group may increase or decrease depending on the matter in question, so the Board seeks to consider the needs and priorities of each group during its discussions and as part of its decision making.

The Board continues to enhance its methods of engagement with the workforce. The Board recognises that our employees know our business and have a wide range of views and experience. Our employees, and their motivation and retention, are fundamental to the delivery of our strategy. The health, safety and well-being of our employees is one of our primary considerations in the way we do business.

The Group aims to work responsibly with our suppliers who are integral to the successful delivery of our strategy. We also continually look for new ways to support industrial gas generator operators. We strengthen our service offering with purpose-built repair and overhaul facilities. We are committed to offering the very best quality and scope of service to enhance the performance of operator’s engines and lower their lifecycle costs.

Measuring Performance

The Board of Directors review our operational and financial key performance indicators (KPIs) each quarter against agreed targets however given the straightforward nature of the business, we are of the opinion that analysis using those or other standard KPIs is not necessary for an understanding of the development, performance or position of the business within the statutory financial statements.

The primary KPI is Total Recordable Case Frequency (TRCF) underlining that safety of employees, customers and subcontractors at work will always be our priority.

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

Measuring Performance (continued)

The performance was reported monthly to our HSE committee during 2020 and to the board as part of their reporting packs. On the financial side, profit before interest and tax is regularly reviewed throughout the year. This was £19,588k in 2020 (2019: £23,669k).

Financial review

The profit for the financial year amounted to £15,251k (2019: £19,443k) and was transferred to reserves. A final dividend of £15,000k (£15 per share) (2019: £22,000k, £22 per share) was recommended by the directors and paid in the year.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties facing the Group are considered to be in relation to parts availability, cyber security and increased competition and are discussed regularly with the Board. In mitigation of these risks the Group continue to invest in Advanced Remanufacturing, strengthen the security of our systems and heighten user training and finally support its marketing effort and geographical presence.

The uncertainty and risks related to the pandemic over the last year have understandably attracted a high level of focus and will continue to do so for some time. The actions and plans put in place to mitigate the risk across all RWG sites have been comprehensive and based on governmental, HS&E and shareholder advice and are reviewed regularly. Engagement with our employees has been key in minimising the risk for all who work in or attend our sites, work from home or are required to travel to support essential business.

Climate change risks and opportunities

The Group supports the current scientific understanding of how greenhouse gas emissions affect the global climate, and the longer-term impacts that climate change will have on society, the economy, and the planet. We recognise the role we play in driving a net-zero environment as envisaged by the Paris agreement, that works towards global sustainability goals and targets on global temperature rise. The Group aims to minimise travel and use technological advances to increase efficiencies.

Financial risk management

The Group follows accounting, treasury and tax policies that underpin our approach to managing financial risk. We execute regular budgeting, forecasting and monitoring processes. We carry out a review and approval process in relation to capital commitments, acquisitions and disposals.

By order of the board



A Dinuzzi
Director

RWG (Repair & Overhauls) Limited – SC120673

Directors' report for the year ended 31 December 2020

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2020.

Employment policy and employee communications

It is the policy of the Group to afford disabled persons full and fair consideration for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Where the disability occurs during the period of employment every effort is made to continue to provide suitable employment with the provision of appropriate training. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. The Group aims to ensure that all employees are aware of the financial and economic performance of their business units and of the Group as a whole. Communication with all employees continues through briefing groups to communicate developments in the Group's business and descriptions of the operations carried out by the Group.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 3. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Statements and accompanying notes. In addition, note 16 to the Group financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk. The Group has adequate financial resources together with the cash inflows generated from its existing activities. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. Having made the appropriate enquiries including a review of cash flow projections and key sensitivities, the directors consider that the business is a going concern. Adequate resources exist for the Group to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group and the parent company financial statements.

Branches outside the UK

The Group has no overseas branches.

Dividends

A final dividend of £15,000k (2019: £22,000k) was recommended by the directors and paid in the year.

Future Developments

Investment plans for 2021 focus on replacing and enhancing Advanced Remanufacturing capabilities and efficiencies as we continue to develop more innovative and cost efficient solutions to support existing and new markets. Further investment in Houston is also planned to enhance testing of SGT-A05 engines and streamline our operations.

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Directors' report for the year ended 31 December 2020 (continued)

Directors

The directors of the Group who were in office during the year and up to the date of signing the financial statements, except where otherwise shown, are listed below:

N Blaskoski
G Brown (resigned 3rd June 2020)
A Dinozzi
M Gray
R Jaros
A Johnstone (appointed 3 June 2020 and resigned 2 November 2020)
M Schlelein
C Shanaghey (appointed 2 November 2020)

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law, 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 parent company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

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

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

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and parent company's auditors are aware of that information.

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Directors' report for the year ended 31 December 2020 (continued)

Streamlined Energy & Carbon Reporting - Greenhouse gas emissions and energy use

<p>Introduction: This is the first reporting year for the Company to comply with Streamlined Energy Consumption Report (SECR) and the submission is for 2020 (1st January to 31st December) UK only.</p> <p>Within the submission are the required emissions from Scopes 1, 2 & 3 for the Company's activities. Even though there is no mandatory requirement, the Company has deemed the emissions for combustion of liquid fuel for engine testing purposes to be a significant contribution to its emissions and is therefore included in the submission.</p> <p>The Energy Savings Opportunity Scheme (ESOS) audit report from 2019 did not propose any energy saving opportunities for engine testing, therefore, the Company will submit two Intensity Ratios using tonnes of Carbon Dioxide equivalent (tCO₂e) per 100,000 hours worked. The first with the inclusion of engine testing emissions and the second excluding the emissions from engine testing. This will allow the Company to demonstrate the effectiveness of the energy saving opportunities from the recommendations in the ESOS audit report.</p>		
Emission from:	Reporting Year 2020	
	UK (Including engine testing on gas and liquid fuel)	UK (Excluding engine testing on gas and liquid fuel)
Scope 1 - combustion of gas	4,356.4 tCO ₂ e	1282.4 tCO ₂ e
Scope 1 - combustion of fuel for transport purposes	44.2 tCO ₂ e	44.2 tCO ₂ e
Scope 1 - combustion of liquid fuel for engine testing purposes	2,481.4 tCO ₂ e	N/A
Scope 2 - (location-based) from purchased electricity	1,051.1 tCO ₂ e	1,051.1 tCO ₂ e
Scope 3 - business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	1.3 tCO ₂ e	1.3 tCO ₂ e
Total gross Scope 1, Scope 2 & Scope 3 emissions	7,934.4 tCO ₂ e	2,379.0 tCO ₂ e
Total Energy consumption used to calculate above emissions	38,354,338.67 kWh	11,666,430.45 kWh
Company's chosen intensity ratio: tCO ₂ e per 100,000 hours worked	1,054.49	316.18
<p>Data gathered to fulfil our requirements under the Energy Savings Opportunity Scheme with the emission factors from UK Government GHG Conversion Factors for Company Reporting 2020.</p>		
<p>Energy Efficiencies taken in 2020: The Company is continuing to implement the recommendations from our most recent ESOS audit (carried out in August 2019). In the period covered by the report, the Company has:</p> <ul style="list-style-type: none"> • installed a variable speed drive in a LEV system • Introduced more efficient gas burners • identified and repaired compressed air leaks • Recommissioned all heating controls <p>Based on the audit report these are expected to result in an estimated annual saving in energy consumption of 315,000 kWh.</p> <p>Further recommendations (installation of air curtains and replacement of an old inefficient steam boiler) were to be implemented in 2020, however, due to the pandemic these have been delayed to 2021.</p> <p>Engine testing cannot be negated; however, the Company will do what it can to reduce the environmental impact of these activities starting with testing improvements on the Spey engine which is expected to reduce the fuel consumption per standard engine test up to 50%.</p>		

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Directors' report for the year ended 31 December 2020 (continued)

By order of the board

A handwritten signature in black ink, consisting of a stylized 'A' followed by a horizontal line.

A Dinozzi
Company Secretary

RWG (Repair & Overhauls) Limited – SC120673

Independent auditors' report to the members of RWG (Repair & Overhauls) Limited

Report on the audit of the group financial statements

Opinion

In our opinion, RWG (Repair & Overhauls) Limited's group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2020 (the "Annual Report"), which comprise: the Consolidated balance sheet as at 31 December 2020; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of changes in equity and the Consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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Independent auditors' report to the members of RWG (Repair & Overhauls) 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group'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 group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to fraud, corruption and bribery and health and safety, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the

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Independent auditors' report to the members of RWG (Repair & Overhauls) Limited (continued)

financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate manual journals to increase revenue and profitability. Audit procedures performed by the engagement team included:

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Identifying and testing journal entries, in particular any journal entries posted by unusual account combinations impacting revenue and profitability;
- Reading minutes of meetings of those charged with governance; and
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting


Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the company financial statements of RWG (Repair & Overhauls) Limited for the year ended 31 December 2020.



David R Morrice (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
23 June 2021

RWG (Repair & Overhauls) Limited – SC120673**Consolidated income statement for the year to 31 December 2020**

	Note	2020 £'000	2019 £'000
Revenue from continuing operations	2	165,355	165,478
Cost of sales		(137,808)	(133,924)
Gross profit		27,547	31,554
Administrative Expenses		(9,137)	(9,475)
Impairment of financial asset		(89)	-
Operating Profit		18,321	22,079
Share of profit from joint ventures	10	1,267	1,590
Finance income	3	80	407
Finance expense	3	(743)	(777)
Profit before tax from continuing operations	4	18,925	23,299
Taxation	5	(3,674)	(3,856)
Profit for the year		15,251	19,443

The notes on pages 17-46 are an integral part of these consolidated financial statements. See notes to the financial statements.

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**Consolidated statement of comprehensive income for the year to 31
December 2020**

	Note	2020 £'000	2019 £'000
Profit for the year		15,251	19,443
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	22	(995)	(1,131)
Total comprehensive income for the year		14,256	18,312

Total comprehensive income for the year is attributable to continuing operations.

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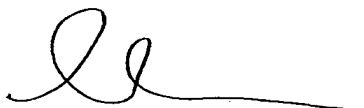
Consolidated balance sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	7	17,763	20,111
Property, plant and equipment	8	8,998	9,912
Right of use assets	9	21,131	23,131
Investment in joint ventures	10	3,383	3,336
		51,275	56,490
Current assets			
Inventories	11	51,977	52,760
Trade and other receivables	12	35,161	40,603
Financial asset		1,118	1,150
Cash and cash equivalents	13	5,015	2,121
		93,271	96,634
Liabilities			
Current Liabilities			
Borrowings	15	(1,960)	(6,462)
Trade and other payables	14	(31,469)	(32,825)
Lease Liabilities	9	(1,767)	(2,768)
Taxation		(1,526)	(1,988)
		(36,722)	(44,043)
Net current assets		56,549	52,591
Non-current liabilities			
Deferred tax	18	(1,900)	(1,870)
Lease liabilities	9	(19,957)	(20,670)
Provisions	17	(929)	(759)
		(22,786)	(23,299)
Net assets		85,038	85,782
Equity			
Share capital	19	1,002	1,002
Share Premium	20	10,268	10,268
Retained earnings	21	72,274	72,023
Other reserves	22	1,494	2,489
Total equity		85,038	85,782

RWG (Repair & Overhauls) Limited – SC120673

Consolidated balance sheet as at 31 December 2020 (continued)

The financial statements on pages 12 to 46 were approved by the board of directors on 22 June 2021 and were signed on its behalf by:



A Dinozzi

Consolidated statement of changes in equity for the year to 31 December 2020

	Share capital £'000	Share premium £'000	Retained earnings £'000	Other reserves £'000	Total equity £'000
As at 1 January 2019	1,002	10,268	74,580	3,620	89,470
Profit for the year	-	-	19,443	-	19,443
Other comprehensive expense					
Exchange movements on retranslation of foreign currency net assets	-	-	-	(1,131)	(1,131)
Total comprehensive income for the year	-	-	19,443	(1,131)	18,312
Transactions with owners:					
Dividends paid	-	-	(22,000)	-	(22,000)
As at 31 December 2019	1,002	10,268	72,023	2,489	85,782
Profit for the year	-	-	15,251	-	15,251
Other comprehensive expense					
Exchange movements on retranslation of foreign currency net assets	-	-	-	(995)	(995)
Total comprehensive income for the year	-	-	15,251	(995)	14,256
Transactions with owners:					
Dividends paid	-	-	(15,000)	-	(15,000)
As at 31 December 2020	1,002	10,268	72,274	1,494	85,038

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Consolidated cash flow statement for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Cash generated from operations	23	28,237	33,509
Tax paid		(3,776)	(3,917)
Net cash generated from operating activities		24,461	29,592
Cash flows from investing activities			
Proceeds from sale of property plant and equipment		-	1,785
Purchase of property, plant and equipment	8	(400)	(4,392)
Purchase of intangible assets	7	(79)	(21)
Dividends received from joint venture	10	1,067	1,089
Net cash generated/(used in) from investing activities		588	(1,539)
Cash flows from financing activities			
Dividend paid to shareholders	6	(15,000)	(22,000)
Interest paid	3	(60)	(66)
Interest received		9	301
Principal payment of leases	9	(2,410)	(2,517)
Net cash used in financing activities		(17,461)	(24,282)
Net cash increase in cash and cash equivalents		7,588	3,771
Effect of exchange rates on cash and cash equivalents	23	(192)	(55)
Opening cash and cash equivalents		(4,341)	(8,057)
Closing cash and cash equivalents		3,055	(4,341)

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Notes to the consolidated financial statements for the year to 31 December 2020

General information

RWG (Repair & Overhauls) Limited, its subsidiaries and joint venture, repair and overhaul gas turbine engines and refurbish gas turbines and other component parts. Details of the Group's activities during the year are provided in the Strategic Report. RWG (Repair & Overhauls) Limited is a private company limited by shares incorporated and domiciled in the United Kingdom and registered in Scotland. Information on the ultimate parents is disclosed in note 30. The registered office of RWG (Repair & Overhauls) Limited is 15 Justice Mill Lane, Aberdeen, AB11 6EQ.

1. Accounting Policies

Basis of preparation

The Group's consolidated financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Group financial statements have been prepared on a going concern basis under the historical cost convention. Accounting policies have been applied consistently throughout the year.

Going Concern

The Group has adequate financial resources together with the cash inflows generated from its existing activities. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully. Having made the appropriate enquiries including a review of cash flow projections, available borrowing facilities (as described in note 15) and key sensitivities, the directors consider that the business is a going concern. Adequate resources exist for the Group to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group and the parent company financial statements. The Group's borrowing facility will expire on 31 July 2021 and it is the expectation of the directors that the facility will be renewed on this date.

Significant accounting policies

The Group's significant accounting policies adopted in the presentation of these financial statements are set out below.

Critical accounting judgements and estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. These estimates are based on management's best knowledge of the amount, event or actions and actual results ultimately may differ from those estimates. The estimates and assumptions that could result in a material adjustment to the carrying amounts of assets and liabilities are the assumptions underlying the models supporting the carrying value of non-current assets and assumptions used in calculating the provision for obsolete and slow-moving inventory and are discussed in the relevant accounting policies within this note.

Impairment of goodwill

The Group carries out impairment reviews whenever events or changes in circumstance indicate that the carrying value of goodwill may not be recoverable. In addition, the Group carries out an annual impairment review. An impairment loss is recognised when the recoverable amount of goodwill is less than the carrying amount. The impairment tests are carried out by CGU ('Cash Generating Unit') and reflect the latest Group budgets. The budgets are based on various assumptions relating to the Group's businesses including assumptions relating to market outlook, resource utilisation, foreign exchange rates, contract awards and contract margins. Pre-tax discount rates of between 11% and 13% have been used to discount the CGU cash flows and a sensitivity analysis has also been performed.

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

1. Accounting Policies (continued)

Provisions

The Group records provisions where it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made. Where the outcome is less than probable, but more than remote, no provision is recorded but a contingent liability is disclosed in the financial statements, if material. The recording of provisions is an area which requires the exercise of management judgement relating to the nature, timing and probability of the liability and typically the Group's balance sheet includes provisions for inventory and warranty provisions. Please refer to the inventory accounting policy for the basis of the provision calculation. Warranty provision is based on claim history over time.

Basis of consolidation

The Group financial statements consolidate the results of the company and its subsidiary undertakings. All Group companies prepare financial statements to 31 December 2020 and adopt uniform accounting policies. All profits or losses generated on intra-group transactions and the investor's share of profits or losses on transactions with subsidiaries are eliminated on consolidation. The Company's own profit and loss account is not shown by virtue of the exemption available within Section 408 of the Companies Act 2006. A joint venture is an entity in which the Group holds a long-term interest and is jointly controlled by the Group and one or more other ventures under a contractual arrangement. The results of the joint ventures are accounted for using the equity method of accounting.

Joint ventures

A joint venture is a type of joint arrangement where parties to the arrangement share rights to its net assets. A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Group's interests in joint ventures are accounted for using equity accounting. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture from the acquisition date. The results of the joint ventures are included in the consolidated financial statements from the date the joint control commences until the date that it ceases. The Group includes its share of joint venture profit on the line "Share of profit from joint ventures" in the Group income statement and its share of joint venture net assets in the "investment in joint ventures" line in the Group balance sheet.

Presentational and functional currency

The Group's earnings stream is primarily GBP and the principal presentational and functional currency is the GBP, being the most representative currency of the Group.

Foreign currencies

Income statements of entities whose functional currency is not the GBP are translated into GBP at average rates of exchange for the period and assets and liabilities are translated into GBP at the rates of exchange ruling at the balance sheet date. Exchange differences arising on translation of net assets in such entities held at the beginning of the year, together with those differences resulting from the restatement of profits and losses from average to year end rates, are taken to the currency translation reserve.

In each individual entity, transactions in overseas currencies are translated into the relevant functional currency at the exchange rates ruling at the date of the transaction. Where more than one exchange rate is available, the appropriate rate at which assets can be readily realised and liabilities can be extinguished is used. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the balance sheet date. Any exchange differences are taken to the income statement.

The directors consider it appropriate to record US dollar denominated equity share capital in the financial statements at the exchange rate ruling on the date it was raised.

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

1. Accounting Policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities and is stated net of sales taxes (such as VAT) and discounts. The Group recognises revenue when it transfers control over a good or services to a customer, usually at a specific point in time, based on purchase orders received. Revenue can be recognised on a split PO basis only where the line item is separately identifiable, the Group can demonstrate completion of the work and reflect the revenue associated with that work.

Finance expense/income

Interest income and expense is recorded in the income statement in the period to which it relates. Arrangement fees and expenses in respect of the Group's debt facilities are amortised over the period which the Group expects the facility to be in place.

Dividends

Dividends to the Group's shareholders are recognised as a liability in the period in which the dividends are approved by shareholders. Interim dividends are recognised when paid. Dividend receipts are recognised as income when the right to receive the dividend becomes irrevocable.

Goodwill

The Group uses the purchase method of accounting to account for acquisitions. Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is carried at cost less accumulated impairment losses. Goodwill is not amortised.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation. Intangible assets are recognised if it is probable that there will be future economic benefits attributable to the asset, the cost of the asset can be measured reliably, the asset is separately identifiable and there is control over the use of the asset. Intangible assets are amortised over their estimated useful lives, as follows:

Licence Fees	10 years
Software	3-5 years

Amortisation charges are included within Cost of Sales expenses on the Income Statement.

Property plant and equipment

Property plant and equipment (PP&E) is stated at cost less accumulated depreciation and impairment. No depreciation is charged with respect to freehold land and assets in the course of construction.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

Short term leasehold buildings	period of lease
Plant and equipment	2-10 years

When estimating the useful life of an asset group, the principal factors the Group takes into account are the durability of the assets, the intensity at which the assets are expected to be used and the expected rate of technological developments. Asset lives and residual values are assessed at each balance sheet date.

Impairment

The Group performs impairment reviews in respect of PP&E, investment in subsidiaries, joint ventures and intangible assets whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. In addition, the Group carries out annual impairment reviews in respect of goodwill. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than its carrying amount.

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

1. Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on first in first out basis. In respect of work in progress, cost includes direct materials and direct labour plus an allocation of production overheads based on a normal level of activity. Net realisable value is the price at which inventory can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective inventory. This is performed using a calculation based on average historical usage adjusted for latest operational, financial and market conditions and expected future activity.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and other short-term bank deposits with maturities of three months or less. Bank overdrafts are included within borrowings in current liabilities.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The provision is determined by reference to previous experience of recoverability for receivables in each market in which the Group operates. Expected credit loss is in line with IFRS 9.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost.

Taxation

The tax charge represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the income statement due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

The principal temporary differences arise from depreciation on PP&E, tax losses carried forward and, in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted, or substantially enacted, at the balance sheet date are used to determine deferred tax.

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

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

1. Accounting Policies (continued)

Accounting for derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (2) hedges of highly probable forecast transactions (cash flow hedge); or (3) hedges of net investments in foreign operations (net investment hedge).

Where hedging is to be undertaken, the Group documents the relationship between the hedging instrument and the hedged item at the inception of the transaction, as well as its risk management objective and strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Group performs effectiveness testing on a quarterly basis.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in administrative expenses in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in administrative expenses (in the case of forward contracts) or finance income/expense (in the case of interest rate swaps) in the income statement. Amounts accumulated in equity are recycled through the income statement in periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the currency translation reserve in equity; the gain or loss relating to the ineffective portion is recognised immediately in administrative expenses in the income statement. Gains and losses accumulated in equity are included in administrative expenses in the income statement when the foreign operation is disposed of.

(d) Derivatives that are not designated as hedges

Certain derivatives, whilst providing effective economic hedges are not designated as hedges. Changes in the fair value of any derivative instruments that are not designated for hedge accounting are recognised immediately in administrative expenses in the income statement.

Fair value estimation

The fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates at the balance sheet date. The fair values of all derivative financial instruments are obtained from valuations provided by financial institutions.

The carrying values of trade receivables and payables approximate to their fair values.

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

1. Accounting Policies (continued)

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control or use an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an asset, the Group uses the definition of a lease in IFRS 16.

The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The Group recognises a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at the same value as the lease liability. It is subsequently adjusted for depreciation and certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis from the commencement date to the end of the lease term.

The liability is calculated as the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate ("IBR") and is subsequently increased by the interest cost on the lease liability and reduced by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in rate or a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. A single discount rate has been applied to a portfolio of leases with reasonably similar characteristics.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which may significantly affect the amount of lease liabilities and right of use assets recognised.

The Group has elected not to recognise right of use assets, and lease liabilities for leases of low value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Retirement benefit liabilities

The Group's contributions to defined contribution schemes are charged to the income statement in the period to which the contributions relate. In addition, the Group contributes to the 401k pension plans of its US employees.

The Group has contributed in the past to a defined benefit scheme operated by one of its Joint Venture partners. The assets of this scheme are held in separate trustee administered funds. The scheme was closed to future accrual on 30 June 2014. Therefore, the Group no longer contributes to this defined benefit scheme.

Disclosure of impact of new and future accounting

The Group has considered all new and amended IFRSs issued by the International Accounting Standards Board that are effective for the year ended 31 December 2020. There is no material impact on the financial statements.

The following amendments have been published and are mandatory for future accounting periods but the Group has not early adopted them:

- IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2 (effective from 1 January 2021)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective from 1 January 2023).

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

2 Revenue from continuing operations

Group revenue by destination	2020 £'000	2019 £'000
Africa	18,562	8,809
Asia	54,758	52,084
Europe (excl UK)	5,374	15,884
Middle East	12,117	17,767
UK	30,485	23,917
USA	33,260	32,996
Rest of world	10,799	14,021
	165,355	165,478

The directors believe that the Group has one class of business, which is the repair and overhaul of gas turbine engines. Please refer to the Group's revenue recognition policy on page 19.

3 Finance expense and Finance income	2020 £'000	2019 £'000
Interest payable on bank overdrafts	59	66
IFRS 16 interest (note 9)	684	711
Finance expense	743	777
Finance income	(80)	(407)

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

4	Profit before tax from continuing operations	2020 £'000	2019 £'000
Profit before tax on continuing operations is stated after charging/(crediting):			
	Gain on disposal of plant property and equipment	-	(663)
	Amortisation of intangible fixed assets	2,142	2,021
	Depreciation of plant property and equipment	1,210	1,021
	Depreciation of right of use assets	2,023	2,122
	Exchange (gain)/loss	(315)	355
	Inventory expensed through Cost of Sales	70,281	65,561
	Stock Provision movement	(233)	(26)
	Audit services – fees payable to company auditors for the audit of the parent company and consolidated financial statements	69	63
<hr/>			
5	Taxation	2020 £'000	2019 £'000
<hr/>			
UK corporation taxes			
	- UK Corporation tax	2,900	3,535
	- Foreign tax suffered	4	129
	- Adjustment in respect of prior years	(51)	28
		<hr/>	<hr/>
		2,853	3,692
<hr/>			
Overseas corporation taxes			
	- Corporation tax	781	923
	- Adjustment in respect of prior years	(33)	(341)
		<hr/>	<hr/>
		748	582
<hr/>			
Total current tax		3,601	4,274
<hr/>			
Deferred tax			
	- Current year	17	158
	- Effect of changes in tax rates	56	(16)
	- Adjustment in respect of prior years	-	(560)
		<hr/>	<hr/>
Total deferred tax (note 18)		73	(418)
<hr/>			
Total tax on profit		3,674	3,856
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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

5 Taxation (continued)

The tax charge on profit before tax on continuing operations is higher than (2019: lower than) the standard rate of corporation tax in the UK due to the following factors:

	2020 £'000	2019 £'000
Profit before tax	18,925	23,299
- UK corporation tax at standard rate 19% (2019: 19%)	3,596	4,427
- Adjustment in respect of prior years (UK taxes)	(51)	28
- Adjustment in respect of prior years (overseas taxes)	(33)	(341)
- Expenses not deductible	102	51
- Income not taxable	(164)	(107)
- Adjustment in respect of prior years (deferred tax)	-	(560)
- Changes in tax rates (deferred tax)	56	(16)
- Tax rates in overseas jurisdictions and overseas payments	168	319
- Rolled over gains	-	55
Total tax charge	3,674	3,856

Tax is calculated at the rates prevailing in the respective jurisdictions in which the Group operates.

6 Dividends

	2020 £'000	2019 £'000
Dividends paid on ordinary shares:		
Class A : final paid £15 per share (2019 : £22)	7,500	11,000
Class B : final paid £15 per share (2019 : £22)	7,500	11,000
	15,000	22,000

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

7 Intangible assets

Group	Licence fee £'000	Goodwill £'000	Software £'000	Total £'000
Cost				
At 1 January 2020	13,421	13,605	4,731	31,757
Additions	30	-	49	79
Disposals	(125)	-	-	(125)
Exchange adjustment	(37)	(297)	(9)	(343)
At 31 December 2020	13,289	13,308	4,771	31,368
Accumulated amortisation and impairment				
At 1 January 2020	(6,640)	(2,257)	(2,749)	(11,646)
Exchange adjustment	5	44	9	58
Disposals	125	-	-	125
Charge for the financial year	(1,291)	-	(851)	(2,142)
At 31 December 2020	(7,801)	(2,213)	(3,591)	(13,605)
Net book value at 31 December 2020	5,488	11,095	1,180	17,763

Group	Licence fee £'000	Goodwill £'000	Software £'000	Total £'000
Cost				
At 1 January 2019	13,508	13,990	5,010	32,508
Additions	-	-	21	21
Disposals	(29)	-	(288)	(317)
Exchange adjustment	(58)	(385)	(12)	(455)
At 31 December 2019	13,421	13,605	4,731	31,757
Accumulated amortisation and impairment				
At 1 January 2019	(5,356)	(2,314)	(2,320)	(9,990)
Exchange adjustment	8	57	12	77
Disposals	-	-	288	288
Charge for the financial year	(1,292)	-	(729)	(2,021)
At 31 December 2019	(6,640)	(2,257)	(2,749)	(11,646)
Net book value at 31 December 2019	6,781	11,348	1,982	20,111

In accordance with IAS 36 'Impairment of assets', goodwill was tested for impairment during the year. The impairment tests were carried out against the Group's Cash Generating Units ('CGU'), being the operating divisions, which are aligned with how the Group manages and monitors performance.

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

7 Intangible assets (continued)

Value-in-use calculations have been prepared for each CGU using the cash flow projections included in the financial budgets approved by management for 2020 and 2021. The projections used are based on management's view of future market conditions.

<u>Division/Cash Generating Unit</u>	<u>Goodwill carrying value (£'000)</u>	<u>Average pre-tax discount rate used</u>
SGT-A20	3,158	11-13%
RWG Inc	7,937	11-13%
Total Goodwill	11,095	11-13%

Details of the key assumptions underlying the cash flows are included in the critical accounting judgements and estimates in the Accounting Policies. The cash flows have been discounted using a discount rate which is appropriate for each CGU.

The resulting value-in-use amount has been compared to the carrying value for each CGU. The long-term growth rate is the CPI rate at the time the review is carried out. No impairment charge has been recorded during the current year.

Sensitivity analyses have been performed on the model's key assumptions. No reasonably possible changes in key assumptions would cause the carrying amount to exceed its recoverable amount.

8	Property plant and equipment	Short term	Plant and equipment	Total
		leasehold buildings		
		£'000	£'000	£'000
Cost				
	At 1 January 2020	3,373	24,747	28,120
	Exchange adjustment	(31)	(234)	(265)
	Additions	9	391	400
	Disposals	(58)	(307)	(365)
	At 31 December 2020	3,293	24,597	27,890
Accumulated depreciation				
	At 1 January 2020	(2,388)	(15,820)	(18,208)
	Exchange adjustment	20	141	161
	Charge for the financial year	(106)	(1,104)	(1,210)
	Disposals	58	307	365
	At 31 December 2020	(2,416)	(16,476)	(18,892)
	Net book value at 31 December 2020	877	8,121	8,998

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

8	Property plant and equipment (Continued)	Short term leasehold buildings	Plant and equipment	Total
		£'000	£'000	£'000
Cost				
	At 1 January 2019	4,509	25,698	30,207
	Exchange adjustment	(88)	(307)	(395)
	Additions	96	4,296	4,392
	Disposals	(1,144)	(4,940)	(6,084)
	At 31 December 2019	3,373	24,747	28,120
Accumulated depreciation				
	At 1 January 2019	(3,432)	(19,049)	(22,481)
	Exchange adjustment	71	261	332
	Charge for the financial year	(171)	(850)	(1,021)
	Disposals	1,144	3,818	4,962
	At 31 December 2019	(2,388)	(15,820)	(18,208)
	Net book value at 31 December 2019	985	8,927	9,912

Included within Property Plant and Equipment are £13,456k (2019: £14,980k) of assets that are fully depreciated and remain in use.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

9 Leases	Land & Buildings	Plant and equipment	Total
Right of use assets	£'000	£'000	£'000
Cost			
At 1 January 2020	24,621	394	25,015
Exchange adjustment	(210)	-	(210)
Additions	-	193	193
Disposals	(46)	(28)	(74)
At 31 December 2020	24,365	559	24,924
Accumulated depreciation			
At 1 January 2020	(1,791)	(93)	(1,884)
Exchange adjustment	42	-	42
Charge for the financial year	(1,871)	(152)	(2,023)
Disposals	46	26	72
At 31 December 2020	(3,574)	(219)	(3,793)
Net book value at 31 December 2020	20,791	340	21,131

Right of use assets	Land & Buildings	Plant and equipment	Total
Cost	£'000	£'000	£'000
At 1 January 2019	24,200	453	24,653
Exchange adjustment	(277)	(1)	(278)
Additions	1,156	94	1,250
Disposals	(458)	(152)	(610)
At 31 December 2019	24,621	394	25,015
Accumulated depreciation			
Exchange adjustment	19	-	19
Charge for the financial year	(1,918)	(204)	(2,122)
Disposals	108	111	219
At 31 December 2019	(1,791)	(93)	(1,884)
Net book value at 31 December 2019	22,830	301	23,131

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

9 Leases (continued)

Lease Liabilities	Land & Buildings £'000	Plant and equipment £'000	Total £'000
At 1 January 2020	23,139	299	23,438
Exchange adjustment	(178)	-	(178)
Additions	-	193	193
Disposals	-	(3)	(3)
Interest expense related to lease liabilities	674	10	684
Repayment of lease liabilities	(2,259)	(151)	(2,410)
At 31 December 2020	21,376	348	21,724

Lease Liabilities	Land & Buildings £'000	Plant and equipment £'000	Total £'000
At 1 January 2019	24,200	453	24,653
Exchange adjustment	(262)	-	(262)
Additions	1,156	94	1,250
Disposals	(355)	(42)	(397)
Interest expense related to lease liabilities	700	11	711
Repayment of lease liabilities	(2,300)	(217)	(2,517)
At 31 December 2019	23,139	299	23,438

The Group does not have any other finance lease liabilities in addition to the IFRS 16 lease liabilities previously classified as operating leases under IAS 17. A maturity analysis of the Group's total lease liability is shown below:

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

9 Leases (continued)

	2020 £'000	2019 £'000
Current lease liability	1,767	2,768
Non-current lease liability	19,957	20,670
At 31 December	21,724	23,438

The following table shows the breakdown of lease expense between amounts charged to operating profit and amounts charged to finance costs.

	2020 £'000	2019 £'000
Depreciation charge for right of use assets		
Property	1,871	1,918
Plant and equipment	152	204
Short term and low value lease expense	154	149
Charged to operating profit	2,177	2,271
Interest expense related to lease liabilities	683	711
Charge to profit/(loss) before taxation for leases	2,860	2,982

The short term and low value lease expense of £154k (2019: £149k) has been included in cash flow from operating activities. The Group leases various properties, plant and equipment throughout the world. The majority of the lease liability relates to properties of strategic importance to the Group. Some leases have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets are not used as security for borrowing purposes. Previously, leases of property, plant and equipment were classified as either finance or operating leases. From 1 January 2019, leases are recognised as a right of use asset and corresponding liability, once the asset is available for use by the Group.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at the same value as the lease liability. It is subsequently adjusted for depreciation and certain remeasurements of the lease liability. Depreciation is calculated on a straight-line basis from the commencement date to the end of the lease term.

The liability is calculated as the present value of the lease payments that are not paid at the commencement date, discounted using incremental borrowing rates ("IBR") and is subsequently increased by the interest cost on the lease liability and reduced by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in rate or a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which may significantly affect the amount of lease liabilities and right of use assets recognised.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

10 Investment in joint ventures

The Company's joint venture undertakings at 31 December 2020 were as follows:

Name	Nature of business	Country of registration/ incorporation	Percentage of nominal share capital and voting rights
RWG OTEC	Repair and overhaul of Siemens A35, A20 and Allison 501 industrial gas generators	Malaysia	49%

In relation to the Group's interests in joint ventures, its share of assets, liabilities, income and expenses is shown below.

	2020 £'000	2019 £'000
Non-current assets		
Current assets	7,199	8,526
Current liabilities	(3,816)	(5,190)
Net assets	3,383	3,336
Operating profit	1,267	1,590
Net finance income	71	106
Profit before tax	1,338	1,696
Tax	(312)	(423)
Share of post-tax results from joint venture	1,026	1,273

The movement in investments in joint ventures is shown below.

	2020 £'000	2019 £'000
At 1 January	3,336	3,440
Exchange movements on retranslation of net assets	(73)	(127)
Elimination of unrealised profit	161	(161)
Share of profit after tax	1,026	1,273
Dividends	(1,067)	(1,089)
At 31 December	3,383	3,336

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

11 Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	34,476	41,828
Work in progress	17,501	10,932
	51,977	52,760

Inventory balances above are all stated at the lower of cost or Net Realisable Value after applying a provision for slow-moving or obsolete stock. The provision is based on part usage history and probability of future usage. The provisions are reviewed by management at least twice annually. During the year £268k was released to the profit and loss account following the usage of parts.

12 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Trade receivables – net of provision for impairment	15,330	18,458
Amounts owed by joint venture (trading balances)	6,747	8,613
Amounts owed by shareholders' and their related companies	11,348	12,657
Other receivables	400	203
Prepayments and accrued income	1,336	672
Total receivables	35,161	40,603

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Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

12 Trade and other receivables (continued)

The Group's trade receivables balance is shown in the table below.

	Trade receivables - Gross £'000	Provision for impairment £'000	Trade receivables - net £'000	Receivable days
31 December 2020				
RWG (Repair & Overhauls) Limited	12,544	-	12,544	38
RWG (Repair & Overhauls) USA, Inc	2,798	(12)	2,786	32
RWG OTEC	-	-	-	-
Total Group	15,342	(12)	15,330	37
31 December 2019				
RWG (Repair & Overhauls) Limited	11,168	-	11,168	39
RWG (Repair & Overhauls) USA, Inc	7,305	(15)	7,290	66
RWG OTEC	-	-	-	-
Total Group	18,473	(15)	18,458	45

Receivable days are calculated by allocating the closing trade receivables balance to current and prior year revenue including sales taxes. A provision for the impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the terms of the original receivables.

The ageing of the provision for impairment of trade receivables is as follows:

	2020 £'000	2019 £'000
Up to 3 months	-	15
Over 3 months	12	-
	12	15

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

12 Trade and other receivables (continued)

Included within gross trade receivables of £15,342k above (2019: £18,473k) are receivables of £2,692k (2019: £3,222k) which were past due but not impaired. These relate to customers for whom there is no recent history or expectation of default. The ageing analysis of these trade receivables, net of provisions, is as follows:

	2020 £'000	2019 £'000
Up to 3 months	1,370	3,194
Over 3 months	1,322	28
	2,692	3,222

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected loss rates are based on historical credit losses adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The directors' analysis of the expected credit loss, including reference to the credit ratings of key customers, has concluded that the expected credit loss is not material to the group's financial statements.

13 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	5,015	2,121

Cash and cash equivalents include the following for the purpose of the statement of cash flows:

	2020 £'000	2019 £'000
Cash at bank and in hand	5,015	2,121
Bank overdraft (note 15)	(1,960)	(6,462)
Cash and cash equivalents	3,055	(4,341)

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

14 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	8,109	8,885
Amounts owed to shareholders and their related companies	10,096	9,557
Amounts owed to joint venture	-	184
Other taxation and social security	3,121	2,843
Accruals and deferred income	10,143	11,356
	31,469	32,825

Trade payables, amounts owed to shareholders and joint venture are unsecured and have varying terms of payment. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. These are all trade balances.

15 Borrowings

	2020 £'000	2019 £'000
Bank loans and overdrafts due within one year or on demand		
Bank loan	-	-
Bank overdraft	1,960	6,462

The effective interest rates on the Group's bank borrowings at the balance sheet date were as follows:

	2020 %	2019 %
Sterling	1.65	1.50
US Dollar	1.75	2.49

The carrying amounts of the Group's borrowings are denominated in sterling.

The Group is required to issue trade financial instruments to certain customers. These include tender bonds, performance bonds, retention bonds, duty deferment bonds and letters of credit. At 31 December 2020 the Group's bank facilities relating to the issue of bonds, guarantees and letters of credit amounted to £10,500k (2019: £10,500k). At 31 December 2020, these facilities were 37% utilised (2019: 50%).

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

15 Borrowings (continued)

Undrawn borrowing facilities

The Group has the following undrawn borrowing facilities available at 31 December:

	2020 £'000	2019 £'000
Expiring within one year	15,000	14,245
	15,000	14,245

All undrawn borrowing facilities are floating rate facilities. The facilities expiring within one year are annual facilities subject to review during 2021. In July 2020, the Group extended its £15,000k bank facilities until 31 July 2021.

16 Financial instruments

The Group's activities give rise to a variety of financial risks: market risk (including foreign exchange risk), interest rate risk, price risk and credit risk.

Risk management is carried out by Management who together with the Group's business units identify, evaluate and where appropriate, hedge financial risks.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currencies. The Group has two subsidiary companies whose revenue and expenses are denominated in currencies other than GBP. Where possible, the Group's policy is to eliminate all significant currency exposures on revenues at the time of the transaction by using financial instruments such as forward currency contracts. Changes in the forward contract fair values are booked through the income statement.

The Group does not have any financial instruments in place to hedge foreign currency movements in its balance sheet.

The Group carefully monitors the economic and political situation in the countries in which it operates to ensure appropriate action is taken to minimise any foreign currency exposure.

The Group's largest foreign exchange risk relates to movements in the sterling/US dollar exchange rate. Movements in the sterling/US dollar rate impact the translation of sterling profit earned in the US and the translation of US dollar denominated net asset.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

16 Financial instruments (continued)

(i) Foreign exchange risk (continued)

The potential impact of changes in the sterling/US dollar exchange rate is summarised in the table below.

	2020 £'000	2019 £'000
Impact of 10% change to average £/\$ exchange rate on profit after tax	216	226
Impact of 10% change to closing £/\$ exchange rate on equity	2,400	2,349

10% has been used in these calculations as it represents a reasonable possible change in the sterling/US Dollar exchange rate.

(ii) Interest rate risk

The Group finances its operations through a mixture of retained profits and debt. The Group is also exposed to interest rate risk on cash held on deposit.

(iii) Price risk

The Group is not exposed to any significant price risk in relation to its financial instruments.

(b) Credit risk

The Group's credit risk primarily relates to its trade receivables. Responsibility for managing credit risk lies within the businesses. Support is provided by Group Management where appropriate.

A customer evaluation is typically obtained from an appropriate credit rating agency. Where required, appropriate trade financial instruments such as letters of credit, bonds, guarantees and credit insurance will be used to manage credit risk.

The Group's major customers are typically large companies which have strong credit ratings assigned by international credit rating agencies. Where a customer does not have sufficiently strong credit ratings, alternative forms of security such as the trade finance instruments referred to above may be obtained. The Group has a broad customer base and management believe that no further credit risk provision is required in excess of the provision for impairment of trade receivables.

Management review trade receivables across the Group based on receivable days calculations to assess performance. There is significant management focus on receivables that are overdue. A table showing trade receivables and receivable days is provided in note 12. Receivable days calculations are not provided on non-trade receivables as management do not believe that this information is a relevant metric.

The Group also has credit risk in relation to cash held on deposit. The Group's policy is to deposit cash at institutions with a credit rating of 'A' or better where possible.

(c) Liquidity risk

With regard to liquidity, the Group's main priority is to ensure funding. At 31 December 2020, 100% (2019: 100%) of the Group's borrowing facilities were due to mature in less than one year. Based on the current outlook the Group has sufficient funding in place to meet its future obligations.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

16 Financial instruments (continued)

(d) Capital risk

The Group seeks to maintain an optimal capital structure. The Group monitors its capital structure on the basis of its net worth, interest cover and when applicable, the ratio of net debt to EBITDA. These ratios are calculated using the proportionally consolidated figures used for management reporting.

Interest cover is calculated by dividing total EBIT by net finance expense (including IFRS16 interest). This ratio was 30 times in 2020 (2019: 64 times). The ratio of net debt to total EBITDA at 31 December 2020 was not applicable as the Group did not have net debt (2019: 0.2).

Financial liabilities

The table below analysis the Group's financial liabilities into relevant groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
31 December 2020				
Borrowings	1,960	-	-	-
Trade and other payables	28,348	-	-	-
Provisions	-	180	-	749
31 December 2019				
Borrowings	6,462	-	-	-
Trade and other payables	29,982	-	-	-
Provisions	-	165	-	594

Fair value of non-derivative financial assets and financial liabilities

The fair value of short-term borrowings, trade and other receivables and cash at bank and in hand approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

17 Provisions

Group	Dilapidation provision	Warranty provision	Total provision
	£'000	£'000	£'000
At 1 January 2020	594	165	759
Charge for the financial year	155	97	252
Utilised in financial year	-	(79)	(79)
Exchange adjustment	-	(3)	(3)
At 31 December 2020	749	180	929

The Group warranty provision of £180k (2019: £165k) and company £105k (2019: £105k) arose in respect of guarantees provided in the normal course of business relating to contract performance. The balance provided represents the directors' estimate of future expenditure based on the history of such claims received by the company. It is expected that most of this expenditure will be incurred in the next financial year. The Group also has a dilapidation provision of £749k in respect of the buildings leased. It is expected that this expenditure will be incurred at the end of the lease.

18 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the asset or liability has arisen.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These changes included a reduction in the main rate to 17% from April 2020. In March 2020, the UK Government substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 to cancel the reduction in corporate tax rate, from 1 April 2020, and maintain the rate at 19%. Deferred taxes at the balance sheet date, in relation to UK companies, continue to be measured using tax rates enacted as at the balance sheet date (17%).

The movement on the deferred tax account is shown below:

Group	2020	2019
	£'000	£'000
At 1 January	1,870	2,366
Charge for the financial year	73	(418)
Exchange adjustment	(43)	(78)
At 31 December	1,900	1,870

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

18 Deferred tax (continued)

Deferred tax provided in these financial statements, which represents the full potential liability, comprises corporation tax deferred by:

	2020 £'000	2019 £'000
Group		
- Accelerated capital allowances	2,506	2,424
- Short term timing differences	(606)	(554)
	1,900	1,870
Group		
Recoverable within 12 months	(606)	(554)
Recoverable in excess of 12 months	2,506	2,424
	1,900	1,870

19 Share capital

	2020 £'000	2019 £'000
Authorised, allotted, called up and fully paid at 1 January		
501,027 (2019: 501,027) 'A' ordinary shares of £1 each	501	501
501,027 (2019: 501,027) 'B' ordinary shares of £1 each	501	501
	1,002	1,002
Authorised, allotted, called up and fully paid at 31 December		
501,027 (2019: 501,027) 'A' ordinary shares of £1 each	501	501
501,027 (2019: 501,027) 'B' ordinary shares of £1 each	501	501
	1,002	1,002

Both classes of shares carry equal rights with respect to dividends, voting and winding up.

RWG (Repair & Overhauls) Limited – SC120673**Notes to the consolidated financial statements for the year to 31 December 2020 (continued)**

20	Share premium	2020	2019
		£'000	£'000
At 1 January and 31 December 2020		10,268	10,268

21	Retained earnings	2020	2019
		£'000	£'000
	At 1 January	72,023	74,580
	Profit for the financial year	15,251	19,443
	Dividends paid	(15,000)	(22,000)
	At 31 December	72,274	72,023

22	Other reserves	2020	2019
		£'000	£'000
	Currency Translation		
	At 1 January	2,489	3,620
	Exchange movements on retranslation of foreign currency net assets	(995)	(1,131)
	At 31 December	1,494	2,489

The currency translation reserve relates to the retranslation of foreign currency net assets on consolidation. The movement in the year relates to the retranslation of foreign currency net assets, including goodwill and intangible assets recognised on acquisition

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

23 Cash generated from operations

Reconciliation of operating profit to cash generated from operations:	2020 £'000	2019 £'000
Operating profit	18,321	22,079
Adjustments for:		
Depreciation	1,210	1,021
Depreciation on right of use assets	2,023	2,122
Amortisation of intangible assets	2,142	2,021
Gain on sale of property, plant and equipment	-	(663)
Loss on disposal of intangible assets	-	29
Gain on disposal of right of use assets	-	(6)
Increase in provisions	173	150
Changes in working capital:		
Decrease/(Increase) in stocks and work in progress	160	(1,963)
Decrease in debtors	5,485	12,007
Decrease in financial asset	32	7
Decrease in creditors	(1,309)	(3,295)
Cash generated from operations	28,237	33,509

Analysis of net debt	At 1 January 2020 £'000	Cash flows £'000	Exchange difference £'000	At 31 December 2020 £'000
Cash and cash equivalents	2,121	3,062	(168)	5,015
Short-term borrowings	(6,462)	4,526	(24)	(1,960)
Net Debt	(4,341)	7,588	(192)	3,055

Analysis of net debt	At 1 January 2019 £'000	Cash flows £'000	Exchange difference £'000	At 31 December 2019 £'000
Cash and cash equivalents	2,058	133	(70)	2,121
Short-term borrowings	(10,115)	3,638	15	(6,462)
Net Debt	(8,057)	3,771	(55)	(4,341)

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

24 Employees and directors

Employee benefits expense	2020 £'000	2019 £'000
Wages and salaries	26,999	26,391
Social security costs	2,776	2,488
Other pension costs	1,901	1,992
	31,676	30,871

The average monthly number of persons employed by the group during the year was:

By activity	2020 Number	2019 Number
Direct production workers	318	316
Management and staff	153	153
	471	469

The average number of employees excludes employees of joint venture companies.

Key management compensation

Key management compensation represents any charge to the income statement in respect of the remuneration of the Group Board. The Directors did not receive emoluments in respect of their services to the company during the year (2019: £nil).

25 Retirement benefit obligations

The Company previously contributed to a defined contribution pension scheme and a defined benefit pension scheme, the assets of which were held separately from those of the Company. The JWG defined benefit scheme was closed to future accrual on 30 June 2014. On the 5th November 2014 RWG ceased to participate in both parents defined schemes, charging £11,200k to cover both schemes remaining liabilities relating to RWG employees. The total pension cost for the Company in respect of the schemes was £1,750k (2019: £1,834k). Costs in respect of the US 401k plans were £151k (2019: £158k). The total defined contribution scheme balance outstanding at 31 December 2020 was nil (2019: £241k).

26 Contingent Liabilities

The Group had issued bank guarantees to certain customers in the normal course of business. The total amount outstanding at 31 December 2020 was £3,688k (2019: £5,048k).

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

27 Capital and other financial commitments

	2020 £'000	2019 £'000
<hr/>		
At the balance sheet date the following capital commitments existed for tangible fixed assets:		
Contracted for but not provided	123	203

The capital expenditure above related to property plant and equipment.

28 Related party transactions

Included in the profit and loss account are proceeds, costs and expenses which arise from transactions with the shareholders and their related companies. Such transactions mainly comprise sales and purchases of goods and services in the ordinary course of business, normal commercial terms and at market rates and in total amounted to:

	2020 £'000	2019 £'000
Sales to shareholders and their related companies	75,060	65,051
Sales to RWO in which the Group owns a 49% interest	13,513	14,628
Total sales to Shareholders and their related companies and Joint Venture	88,573	79,679
Total purchases from shareholders and their related companies	78,117	64,323

RWG (Repair & Overhauls) Limited – SC120673

Notes to the consolidated financial statements for the year to 31 December 2020 (continued)

29 Subsidiaries and joint ventures

The Company's subsidiary undertakings at 31 December 2020 (and 31 December 2019) were as follows:

Name	Nature of business	Registered Address	Percentage of nominal share capital and voting rights
RWG (Reparação E Revisão) LTDA	Repair and overhaul of Siemens SGT-A35 industrial gas generators	Rua Dr Cincinato Braga 47, Unidade 1, Sao Bernardo do Campo, Sao Paulo, Brazil	100%
RWG (Repair & Overhauls) USA, Inc	Repair and overhaul of Siemens Allison 501 and 570 industrial and marine gas generators	RWG (Repair & Overhauls) USA, Inc, 6223 W Sam Houston Pkwy N, 77041-5145, Houston, USA	100%

The Company's joint venture undertakings at 31 December 2020 (and 31 December 2019) were as follows:

Name	Nature of business	Country of registration/ incorporation	Percentage of nominal share capital and voting rights
RWG OTEC	Repair and overhaul of Siemens SGT-A35, SGT-A20 and Allison 501 industrial gas generators	No 39-1, Jalan 9/62A Bandar Menjalara, Kepong, 52200 Kuala Lumpur, Malaysia	49%

30 Ultimate controlling parties

There is no ultimate controlling party of RWG (Repair & Overhauls) Limited which is a joint venture owned 50/50 by Siemens Energy Global GMBH & Co KG, a wholly owned subsidiary of Siemens Aktiengesellschaft, and JWG Investments Limited, a wholly owned subsidiary of John Wood Group PLC.

Copies of the financial statements of John Wood Group PLC can be obtained from John Wood Group PLC, 15 Justice Mill Lane, Aberdeen AB11 6EQ.

Copies of the financial statements of Siemens Aktiengesellschaft can be obtained from Siemens AG, Wittelsbacher Platz 2, 80333 Munich, Germany.

RWG (Repair & Overhauls) Limited – SC120673

Company financial statements

The audited financial statements of RWG (Repair & Overhauls) Limited for the year ended 31 December 2020

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RWG (Repair & Overhauls) Limited – SC120673

Independent auditors' report to the members of RWG (Repair & Overhauls) Limited

Report on the audit of the company financial statements

Opinion

In our opinion, RWG (Repair & Overhauls) Limited's company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements 2020 (the "Annual Report"), which comprise: the Company balance sheet as at 31 December 2020; the Company Statement of changes in equity and the Company cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

RWG (Repair & Overhauls) Limited – SC120673

Independent auditors' report to the members of RWG (Repair & Overhauls) 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to fraud, corruption and bribery and health and safety, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate manual journals to increase revenue and profitability. Audit procedures performed by the engagement team included:

RWG (Repair & Overhauls) Limited – SC120673

Independent auditors' report to the members of RWG (Repair & Overhauls) Limited (continued)

- Enquiries of management around known or suspected instances of non-compliance with laws and regulations, claims and litigation, and instances of fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Identifying and testing journal entries, in particular any journal entries posted by unusual account combinations impacting revenue and profitability;
- Reading minutes of meetings of those charged with governance; and
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

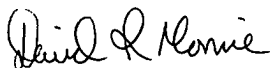
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of RWG (Repair & Overhauls) Limited for the year ended 31 December 2020.



David R Morrice (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
23 June 2021

RWG (Repair & Overhauls) Limited – SC120673

Company balance sheet as at 31 December 2020

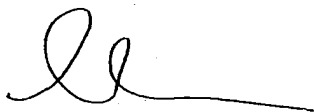
	Note	2020 £'000	2019 £'000
Assets			
Non-current Assets			
Intangible assets	2	8,738	10,740
Property, plant and equipment	3	5,316	5,723
Right of use assets	4	15,354	16,713
Investment in subsidiary undertakings	5	6,878	7,269
Investment in joint venture	5	339	339
		36,625	40,784
Current assets			
Inventories	6	39,430	41,828
Trade and other receivables	7	31,327	31,299
Financial asset		1,118	1,150
Cash and cash equivalents	8	1,854	848
		73,729	75,125
Liabilities			
Current Liabilities			
Borrowings	10	(1,960)	(5,706)
Trade and other payables	9	(1,382)	(2,086)
Lease Liabilities	4	(27,467)	(26,088)
Taxation		(1,283)	(1,814)
		(32,092)	(35,694)
Net current assets		41,637	39,431
Non-current liabilities			
Deferred tax liabilities	13	(542)	(469)
Lease liabilities	4	(14,396)	(14,848)
Provisions	12	(854)	(699)
		(15,792)	(16,016)
Net assets		62,470	64,199
Equity			
Share capital	14	1,002	1,002
Share Premium	15	10,268	10,268
Retained Earnings	16	51,200	52,929
Total equity		62,470	64,199

The company's profit for the year was £13,271k (2019: £16,983k). In accordance with Section 408(3) of the Companies Act (2006), the Company is exempt from the requirement to present its own income statement.

RWG (Repair & Overhauls) Limited – SC120673

Company balance sheet as at 31 December 2020 (continued)

The financial statements on pages 51 to 69 were approved by the board of directors on 23 June 2021 and were signed on its behalf by:



Company Statement of changes in equity for the year to 31 December 2020

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
As at 1 January 2019	1,002	10,268	57,946	69,216
Profit for the year	-	-	16,983	16,983
Total comprehensive income for the year	-	-	16,983	16,983
Transactions with owners:				
Dividends paid	-	-	(22,000)	(22,000)
As at 31 December 2019	1,002	10,268	52,929	64,199
Profit for the year	-	-	13,271	13,271
Total comprehensive income for the year	-	-	13,271	13,271
Transactions with owners:				
Dividends paid	-	-	(15,000)	(15,000)
As at 31 December 2020	1,002	10,268	51,200	62,470

RWG (Repair & Overhauls) Limited – SC120673**Company cash flow statement for the year ended 31 December 2020**

	Note	2020 £'000	2019 £'000
Cash generated from operations	17	24,355	30,957
Tax paid		(3,389)	(3,502)
Net cash generated from operating activities		20,966	27,455
Cash flows from investing activities			
Purchase of property plant and equipment	3	(360)	(1,756)
Proceeds from sale of property plant and equipment		-	1,785
Purchase of intangible assets	2	(50)	(21)
Increase in subsidiary share capital		-	(346)
Dividends received from joint venture		1,067	1,089
Net cash generated from investing activities		657	751
Cash flows from financing activities			
Dividend paid to Shareholders	16	(15,000)	(22,000)
Interest received		-	299
Interest paid		(55)	(62)
Principal payments of leases		(1,816)	(1,877)
Net cash used in financing activities		(16,871)	(23,640)
Net cash increase in cash and cash equivalents		4,752	4,566
Opening cash and cash equivalents		(4,858)	(9,424)
Closing cash and cash equivalents		(106)	(4,858)

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020

General information

RWG (Repair & Overhauls) Limited, its subsidiaries and joint venture, repair and overhaul gas turbine engines and refurbish gas turbines and other component parts. Details of the Group's activities during the year are provided in the Strategic Report. RWG (Repair & Overhauls) Limited is a private company limited by shares incorporated and domiciled in the United Kingdom and registered in Scotland. The registered office of RWG (Repair & Overhauls) Limited is 15 Justice Mill Lane, Aberdeen, AB11 6EQ.

1. Accounting Policies

The Company follows all accounting policies of the Group. The Group Accounting Policies are referred to on pages 17-22 of the Group consolidated financial statements.

Disclosure of impact of new and future accounting standards

There have been no new standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2020. Amendments to existing standards do not have a material impact on the financial statements.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

2 Intangible assets

Company	Licence fee £'000	Goodwill £'000	Software £'000	Total £'000
Cost				
At 1 January 2020	12,000	4,000	4,427	20,427
Additions	-	-	50	50
At 31 December 2020	12,000	4,000	4,477	20,477
Accumulated amortisation and impairment				
At 1 January 2020	(6,400)	(842)	(2,445)	(9,687)
Charge for the financial year	(1,200)	-	(852)	(2,052)
At 31 December 2020	(7,600)	(842)	(3,297)	(11,739)
Net book value at 31 December 2020	4,400	3,158	1,180	8,738
Cost				
At 1 January 2019	12,000	4,000	4,694	20,694
Additions	-	-	21	21
Disposals	-	-	(288)	(288)
At 31 December 2019	12,000	4,000	4,427	20,427
Accumulated amortisation and impairment				
At 1 January 2019	(5,200)	(842)	(2,004)	(8,046)
Disposals	-	-	288	288
Charge for the financial year	(1,200)	-	(729)	(1,929)
At 31 December 2019	(6,400)	(842)	(2,445)	(9,687)
Net book value at 31 December 2019	5,600	3,158	1,982	10,740

In accordance with IAS 36 'Impairment of assets', goodwill was tested for impairment during the year. Please see the Group's policy for impairment testing in note 7.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

3 Property plant and equipment

	Short term leasehold buildings	Plant and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2020	2,251	16,652	18,903
Additions	9	351	360
Disposals	-	(9)	(9)
At 31 December 2020	2,260	16,994	19,254
Accumulated depreciation			
At 1 January 2020	(1,673)	(11,507)	(13,180)
Charge for the financial year	(88)	(679)	(767)
Disposals	-	9	9
At 31 December 2020	(1,761)	(12,177)	(13,938)
Net book value at 31 December 2020	499	4,817	5,316
Cost			
At 1 January 2019	2,236	17,728	19,964
Additions	96	1,660	1,756
Disposals	(81)	(2,736)	(2,817)
At 31 December 2019	2,251	16,652	18,903
Accumulated depreciation			
At 1 January 2019	(1,583)	(12,422)	(14,005)
Charge for the financial year	(171)	(699)	(870)
Disposals	81	1,614	1,695
At 31 December 2019	(1,673)	(11,507)	(13,180)
Net book value at 31 December 2019	578	5,145	5,723

Included within Property Plant and Equipment are £13,452k (2019:£11,434k) of assets that are fully depreciated and remain in use.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

4 Leases

	Land & Buildings	Plant and equipment	Total
	£'000	£'000	£'000
Right of use assets			
Cost			
At 1 January 2020	17,726	368	18,094
Additions	-	174	174
Disposals	-	(12)	(12)
At 31 December 2020	17,726	530	18,256
Accumulated depreciation			
At 1 January 2020	(1,302)	(79)	(1,381)
Charge for the financial year	(1,399)	(132)	(1,531)
Disposals	-	10	10
At 31 December 2020	(2,701)	(201)	(2,902)
Net book value at 31 December 2020	15,025	329	15,354

	Land & Buildings	Plant and equipment	Total
	£'000	£'000	£'000
Right of use assets			
Cost			
At 1 January 2019	17,028	426	17,454
Additions	1,156	94	1,250
Disposals	(458)	(152)	(610)
At 31 December 2019	17,726	368	18,094
Accumulated depreciation			
Charge for the financial year	(1,409)	(190)	(1,599)
Disposals	107	111	218
At 31 December 2019	(1,302)	(79)	(1,381)
Net book value at 31 December 2019	16,424	289	16,713

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

4 Leases (continued)

Lease Liabilities	Land & Buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2020	16,642	292	16,934
Additions	-	174	174
Disposals	-	(3)	(3)
Interest expense related to lease liabilities	478	11	489
Repayment of lease liabilities	(1,678)	(138)	(1,816)
At 31 December 2020	15,442	336	15,778

Lease Liabilities	Land & Buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2019	17,028	426	17,454
Additions	1,156	94	1,250
Disposals	(355)	(42)	(397)
Interest expense related to lease liabilities	493	11	504
Repayment of lease liabilities	(1,680)	(197)	(1,877)
At 31 December 2019	16,642	292	16,934

The Company does not have any other finance lease liabilities in addition to the IFRS 16 lease liabilities previously classified as operating leases under IAS 17. A maturity analysis of the Company's total lease liability is shown below:

	2020 £'000	2019 £'000
Current lease liability	1,382	2,086
Non-current lease liability	14,396	14,848
At 31 December	15,778	16,934

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

5 Investments

	Share in subsidiaries (Company) £'000	Share in joint venture (Company) £'000	Total (Company) £'000
Cost and net book value at 1 January 2020	7,269	339	7,608
Impairment in Investment	(391)	-	(391)
Net book value at 31 December 2020	6,878	339	7,217

	Share in subsidiaries (Company) £'000	Share in joint venture (Company) £'000	Total (Company) £'000
Cost and net book value at 1 January 2019	6,923	339	7,262
Increase in share capital	346	-	346
Net book value at 31 December 2019	7,269	339	7,608

The directors believe that the carrying value of the investments is supported by their underlying net assets. All investments are held directly by the Company. In February 2020 debt was converted to equity within RWG (Reparação E Revisão) LTDA totalling £346k. The Company's subsidiary undertakings at 31 December 2020 were as follows:

Name	Nature of business	Country of registration/ incorporation	Percentage of nominal share capital and voting rights
RWG (Reparação E Revisão) LTDA	Repair and overhaul of Siemens SGT-A35 industrial gas generators	Brazil	100%
RWG (Repair & Overhauls) USA, Inc	Repair and overhaul of Siemens Allison 501 and 570 industrial and marine gas generators	USA	100%

The Company's joint venture undertakings at 31 December 2020 were as follows:

Name	Nature of business	Country of registration/ incorporation	Percentage of nominal share capital and voting rights
RWG OTEC	Repair and overhaul of Siemens SGT-A35, SGT-A20 and Allison 501 industrial gas generators	Malaysia	49%

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

6 Inventories (continued)

	2020 Company £'000	2019 Company £'000
Raw materials and consumables	25,565	28,510
Work in progress	13,865	13,318
	39,430	41,828

Inventory balances above are all stated at the lower of cost or Net Realisable Value after applying a provision for slow-moving or obsolete stock. The provision is based on part usage history and probability of future usage. The provisions are reviewed by management at least twice annually.

7 Trade and other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year		
Trade receivables	12,544	11,168
Amounts owed by Group undertakings	39	-
Amounts owed by joint venture (trading balances)	6,039	7,786
Amounts owed by shareholders' and their related companies (trading balances)	11,250	11,805
Other receivables	401	204
Prepayments and accrued income	1,054	336
	31,327	31,299

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, in which case they are recognised at fair value.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

7 Trade and other receivables (continued)

The expected loss rates are based historical credit losses adjusted reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The directors' analysis of the expected credit loss, including reference to the credit ratings of key customers, has concluded that the expected credit loss is not material to the group's financial statements.

At 31 December 2020, none (2019: none) of the amounts owed were impaired. The ageing of the provision for impairment of trade receivables is as follows:

	2020 £'000	2019 £'000
Up to 3 months	-	-
Over 3 months	-	-
	-	-

The movement on the provision of impairment is as follows:

	2020 £'000	2019 £'000
At 1 January	-	(109)
Released during the year	-	109
Utilised during the year	-	-
At 31 December	-	-

The other classes within debtors do not contain impaired assets.

8 Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	1,854	848

Cash and cash equivalents include the following for the purpose of the statement of cash flows:

	2020 £'000	2019 £'000
Cash at bank and in hand	1,854	848
Bank overdraft (note 10)	(1,960)	(5,706)
Cash and cash equivalents	(106)	(4,858)

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

9 Trade and other payables

	2020 £'000	2019 £'000
Trade payables	6,968	7,466
Amounts owed to Group undertakings	15	12
Amounts owed to joint venture	-	184
Amounts owed to shareholders and their related companies	9,787	9,205
Other taxation and social security	1,762	1,204
Accruals and deferred income	8,935	8,017
	27,467	26,088

Trade payables are unsecured and have varying terms of payment. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

10 Borrowings

	2020 £'000	2019 £'000
Bank loans and overdrafts due within one year or on demand		
Bank loan	-	-
Bank overdraft	1,960	5,706

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

11 Financial Instruments

The Company's activities give rise to a variety of financial risks: market risk (including foreign exchange risk) and credit risk.

Risk management is carried out by Management who together with the Group's business units identify, evaluate and where appropriate, hedge financial risks.

(a) Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currencies. Where possible, the Company's policy is to eliminate all significant currency exposures on revenues at the time of the transaction by using financial instruments such as forward currency contracts. Changes in the forward contract fair values are booked through the profit and loss account.

(ii) Interest rate risk

The Company finances its operations through a mixture of retained profits and debt. The Company is also exposed to interest rate risk on cash held on deposit.

(iii) Price risk

The Company is not exposed to any significant price risk in relation to its financial instruments.

(b) Credit risk

The Company's credit risk primarily relates to its trade debtors. Responsibility for managing credit risk lies within the businesses. Support is provided by Group Management where appropriate.

A customer evaluation is typically obtained from an appropriate credit rating agency. Where required, appropriate trade financial instruments such as letters of credit, bonds, guarantees and credit insurance will be used to manage credit risk.

The Company's major customers are typically large companies which have strong credit ratings assigned by international credit rating agencies. Where a customer does not have sufficiently strong credit ratings, alternative forms of security such as the trade finance instruments referred to above may be obtained. The Company has a broad customer base and management believe that no further credit risk provision is required in excess of the provision for impairment of trade receivables.

Management review trade receivables across the Company based on receivable days calculations to assess performance. There is significant management focus on receivables that are overdue. A table showing trade receivables and receivable days is provided in group note 12. Receivable days calculations are not provided on non-trade receivables as management do not believe that this information is a relevant metric.

The Company also has credit risk in relation to cash held on deposit. The Company's policy is to deposit cash at institutions with a credit rating of 'A' or better where possible.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

11 Financial Instruments (continued)

(c) Liquidity risk

With regard to liquidity, the Company's main priority is to ensure funding. At 31 December 2020, 100% (2019: 100%) of the Group's borrowing facilities were due to mature in less than one year. Based on the current outlook the Company has sufficient funding in place to meet its future obligations.

(d) Capital risk

The Company's capital risk is determined by that of the Group.

Financial liabilities

The table below analysis the Company's financial liabilities into relevant groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
31 December 2020				
Borrowings	1,960	-	-	-
Trade and other payables	25,705	-	-	-
31 December 2019				
Borrowings	5,706	-	-	-
Trade and other payables	24,884	-	-	-

Fair value of non-derivative financial assets and financial liabilities

The fair value of short-term borrowings, trade and other receivables and cash at bank and in hand approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments.

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

12 Provisions

Company	Dilapidation provision	Warranty provision	Total provision
	£'000	£'000	£'000
At 1 January 2020	594	105	699
Charge for the financial year	155	-	155
At 31 December 2020	749	105	854

The Company warranty provision at 31 December 2020 of £105k (2019: £105k) arose in respect of guarantees provided in the normal course of business relating to contract performance. The balance provided represents the directors' estimate of future expenditure based on the history of such claims received by the company. It is expected that most of this expenditure will be incurred in the next financial year.

The Group also has a dilapidation provision of £749k (2019: £594k) in respect of the buildings leased. It is expected that this expenditure will be incurred at the end of the lease.

13 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using the tax rate applicable to the territory in which the asset or liability has arisen.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These changes included a reduction in the main rate to 17% from April 2020. In March 2020, the UK Government substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 to cancel the reduction in corporate tax rate, from 1 April 2020, and maintain the rate at 19%. Deferred taxes at the balance sheet date, in relation to UK companies, continue to be measured using tax rates enacted as at the balance sheet date (17%).

The movement on the deferred tax account is shown below:

Company	2020	2019
	£'000	£'000
At 1 January	469	327
Charge for the financial year	73	142
At 31 December	542	469

Deferred tax provided in these financial statements, which represents the full potential liability, comprises corporation tax deferred by:

Company	2020	2019
	£'000	£'000
- Accelerated capital allowances	(873)	(739)
- Share options	3	2
- Short term timing differences	328	268
	(542)	(469)

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

13 Deferred tax (continued)

	2020 £'000	2019 £'000
Company		
- Recoverable within 12 months	331	270
- Recoverable in excess of 12 months	(873)	(739)
	542	469

14 Share capital

	2020 £'000	2019 £'000
Authorised, allotted, called up and fully paid at 1 January		
501,027 (2019: 501,027) 'A' ordinary shares of £1 each	501	501
501,027 (2019: 501,027) 'B' ordinary shares of £1 each	501	501
	1,002	1,002
Authorised, allotted, called up and fully paid at 31 December		
501,027 (2019: 501,027) 'A' ordinary shares of £1 each	501	501
501,027 (2019: 501,027) 'B' ordinary shares of £1 each	501	501
	1,002	1,002

Both classes of shares carry equal rights with respect to dividends, voting and winding up.

15 Share premium

	2020 £'000	2019 £'000
At 1 January and 31 December 2020	10,268	10,268

16 Retained earnings

	2020 £'000	2019 £'000
At 1 January	52,929	57,946
Profit for the financial year	13,271	16,983
Dividends paid	(15,000)	(22,000)
At 31 December	51,200	52,929

RWG (Repair & Overhauls) Limited – SC120673

Notes to the company financial statements for the year to 31 December 2020 (continued)

17 Cash generated from operations

Company reconciliation of operating profit to cash generated from operations:

	2020 £'000	2019 £'000
Operating profit	15,676	19,995
Adjustments for:		
Depreciation	767	870
Depreciation on right of use assets	1,531	1,599
Amortisation of intangible assets	2,052	1,929
Gain on disposal of property, plant and equipment	-	(663)
Gain on disposal of right of use assets	-	(5)
Increase in provisions	155	159
Impairment of investment	391	-
Changes in working capital:		
Decrease/(Increase) in stock and work in progress	2,398	(3,418)
(Increase)/Decrease in debtors	(27)	16,248
Decrease in financial asset	32	75
Increase/(Decrease) in creditors	1,380	(5,832)
Cash generated from operations	24,355	30,957

Analysis of net debt	At 1 January 2020 £'000	Cash flows £'000	At 31 December 2020 £'000
Cash and cash equivalents	848	1,006	1,854
Short-term borrowings	(5,706)	3,746	(1,960)
Net Debt	(4,858)	4,752	(106)

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Notes to the company financial statements for the year to 31 December 2020 (continued)

17 Cash generated from operations (continued)

	At 1 January 2019 £'000	Cash flows £'000	At 31 December 2019 £'000
Cash and cash equivalents	298	550	848
Short-term borrowings	(9,722)	4,016	(5,706)
Net Debt	(9,424)	4,566	(4,858)

18 Employees and directors

Employee benefits expense	2020 £'000	2019 £'000
Wages and salaries	22,627	21,970
Social security costs	2,488	2,163
Other pension costs	1,750	1,834
	26,865	25,967

The average monthly number of persons employed by the group during the year was:

By activity	2020 Number	2019 Number
Direct production workers	287	285
Management and staff	124	123
	411	408

The average number of employees excludes employees of joint venture companies.

Key management compensation

Key management compensation represents any charge to the income statement in respect of the remuneration of the Group Board. The Directors did not receive emoluments in respect of their services to the company during the year (2019: £nil).

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Notes to the company financial statements for the year to 31 December 2020 (continued)

19 Capital and other financial commitments

	2020 £'000	2019 £'000
At the balance sheet date the following capital commitments existed for tangible fixed assets:		
Contracted for but not provided	123	203

The capital expenditure above related to property plant and equipment.

20 Related party transactions

Included in the profit and loss account are proceeds, costs and expenses which arise from transactions with the shareholders and their related companies. Such transactions mainly comprise sales and purchases of goods and services in the ordinary course of business, normal commercial terms and at market rates and in total amounted to:

	2020 £'000	2019 £'000
Sales to shareholders and their related companies	71,823	64,126
Sales to RWG Inc in which the Group owns 100%	261	207
Sales to RWO in which the Group owns a 49% interest	12,660	13,589
Total sales to Shareholders and their related companies and Joint Venture	84,744	77,922
Total purchases from shareholders and their related companies	67,320	63,970