Company Registration No. SC431042

HAWK DEBTCO LIMITED

Report and Financial Statements

Year ended 31 December 2020

HAWK DEBTCO LIMITED

Report and financial statements for the year ended 31 December 2020

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Officers and professional advisers

Director

S A A Mitchell
N A Johnson
A J W Hoffman

Company Secretary

Pinsent Masons Secretarial Limited

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Aberdeen
AB15 4YL

Bankers

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Aberdeen
AB10 1BR

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8 Canada Square
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E14 5HQ

Solicitors

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AB15 4YL

Freshfields Bruckhaus Deringer LLP
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Independent Auditors

PricewaterhouseCoopers LLP
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AB11 6DA

HAWK DEBTCO LIMITED

Strategic report for the year ended 31 December 2020

Principal activities

The Hawk Debtco Group ("the Group") is a global provider of specialist equipment and integrated engineering services and technology to the oil and gas, renewables and industrial markets. We work across a variety of industry applications and specialise in delivering structured and bespoke solutions in the safety critical areas of cranes, lifting, wind turbine maintenance, mechanical handling, cable and pipe lay and fluid power.

Working across the asset life cycle we design, manufacture, rent, sell, operate, maintain, inspect, certify, refurbish, upgrade, remove and replace equipment, and develop and train people.

The Group is headquartered in the UK and operates in global markets with subsidiaries or locally registered branch offices in the US, Continental Europe, Africa, Middle East, Asia Pacific, Australasia, Brazil and Caspian.

The Company acts as an intermediate holding company for the group of companies.

Business review

The Group's mission is to support the global energy industry in developing an efficiency-driven culture by optimising the performance, reliability and safety of critical equipment and people through the provision of specialist products and integrated engineering services. This is supported through its core values of:

- HSEQ - we are committed to upholding the highest standards of health, safety, environment and quality globally
- Trust - we prioritise being transparent and reliable to consistently deliver a high quality service to all of our customers
- People - we endeavour to provide a supportive and engaging working environment that allows people to thrive
- Efficiency - we strive to optimise productivity through the delivery of lean value-driven innovative technical solutions
- Integrity - we behave in a manner that reflects mutual respect, honesty and ethical business practice in all of our dealings

Our commitment to consistently provide high quality through our 'above all, one standard' approach to quality and safety means delivery is assured with the Group.

The directors believe that the business is well positioned to capitalise on the investments it has made in its overseas markets, product lines and expansion into the renewables and industrial markets during the coming year. The directors report that turnover for the current year was £184m (2019: £208m) down 12% reflecting the market conditions due to COVID-19. Revenue split of 44% UK (2019: 42%) and 56% rest of the world (ROW) (2019: 58%) demonstrates the continued international presence of the Group.

The Group underlying EBITDA was £20.1m (2019: £23.1m) a decrease of £3m from 2019. Statutory Group operating profit was £5.3m (2019: £10.3m). This was due to the decrease in turnover discussed above.

The Group has proactively put in place various cost reduction initiatives in 2020 in response to the COVID-19 pandemic, resulting in cost reduction from redundancies, some facility closures and utilisation of furlough related government schemes.

As at 31 December 2020 the Group had cash on the balance sheet of £19.2m (2019: £25.3m).

Key performance indicators

We consider that the Group’s key performance indicators are those that communicate the underlying financial performance of the Group. The Group’s key performance indicators are turnover and underlying Earnings Before Interest, Taxation, Depreciation, Amortisation and Exceptional Items – (EBITDA).

	FY20	FY19
Turnover (£millions)	183.9	208.0
Underlying EBITDA (£millions)	20.1	23.1

Exceptional costs

Representative of the market conditions and implemented cost reduction measures to deal with the reduction of turnover due to COVID-19, 2020 exceptional costs were £2.5m (2019: £0.4m). Exceptional costs were primarily in relation to redundancies and facility closure costs due to the prevailing market conditions and COVID-19.

Principal risks and uncertainties

The management of the business and the execution of the company’s strategies are subject to a number of risks. Key business risks and uncertainties affecting the Group are considered to relate to the market conditions in the oil & gas sector, the development of new business opportunities and the enlargement of the existing client base, particularly in relation to overseas operations, and COVID-19 potential impact (further explained below).

The diversification of the Group into the renewables and industrial markets will continue to help manage and mitigate the oil and gas sector cyclicality risks.

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

Consideration of climate change

In preparing the financial statements we have considered the impact of climate change, particularly in the context of disclosures included in the Strategic Report this year. The Group continues to build its presence in the renewables and industrial markets to diversify its end markets. There has not been a material impact on financial reporting judgements and estimates arising from our consideration.

Future developments and COVID-19

The COVID-19 situation was upgraded by the World Health Organization as a global health emergency and formally classed as a pandemic in March 2020. The consequences of the COVID-19 pandemic include (but are not limited to) global supply and manufacturing disruptions, workforce restrictions, global travel restrictions, and unfortunate fatalities. Additionally, the COVID-19 pandemic had a significant impact on the global supply/demand equation for oil in 2020, resulting in oil price instability.

The Group is an integral part of the energy supply chain and as such has continued to operate across its various territories in providing essential services to its customers in the energy and critical infrastructure sectors. The Group migrated its office based workforce to work from home, wherever possible, in line with local regulations, and has been leveraging off the investments it had made previously in cloud based IT Services.

The Group has put in place COVID-19 related measures in line with local relevant Health & Safety regulations on how its key employees operate and work effectively and safely in its workshops and facilities. The Group continues to work proactively with its key customers and suppliers in relation to ongoing projects and providing essential services to the continuity of supply, and ongoing efficiency of oil and gas production and electricity generation through renewables wind turbines in key markets.

Future developments and COVID-19 (continued)

The Group and its customer base have worked collaboratively to be able to continue to provide its essential services, in a safe manner, whilst ensuring it protects the health and well-being of its own, and its customers and suppliers, employees and assets. This includes working collaboratively to ensure staff can undertake necessary quarantine periods, and/or undergo adequate testing, before mobilising to offshore assets or to other key customer sites.

However, there is a risk that the COVID-19 pandemic could potentially have adverse consequences for the Group's revenue and earnings, with the volume and timing of certain work potentially being impacted across a number of regions. The Group has proactively put in place various cost reduction initiatives in 2020 in response to the COVID-19 pandemic resulting in cost reduction from redundancies, some facility closures and utilisation of furlough related government schemes.

Management continues to closely monitor the impact of the COVID-19 pandemic and respond as appropriate to ensure the ongoing future stability of the business, and continued supply of essential services to its customer base in the broader Energy sector. However, Management is unable to accurately predict the length and ultimate economic impact of the various lockdown measures put in place across a number of countries and border closures, and hence the potential impact that COVID-19 will have. Therefore, there exists an element of uncertainty on the final impact on revenue and earnings in 2021. However, Management is confident that the measures it has taken and will continue to take, together with the Group's sound financial strength including cash resources of £19.2m at 31 December 2020, will ensure the long-term success of the Group.

The directors believe that the Group will continue to benefit from broadening its product and service offering within its existing territories and customer base, whilst continuing to diversify into new geographies and customers. The Directors will continue to develop and expand its renewables business and will further build upon its recent expansion into industrial markets, whilst continuing to proactively manage its cost base.

DIRECTORS' STATEMENT IN PERFORMANCE OF THEIR DUTIES UNDER SECTION 172(1)

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, to be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year.

This includes considering the interests of our customers, suppliers, and employees, maintaining high standards of business ethics and conduct, and considering our impacts on local communities and the environment.

Financing

In December 2020 the group executed a new third party financing agreement. Bank term debt was repaid and a Euro 110,000,000 Fixed rate bond was issued. In addition a super senior revolving credit facility of £15m was put in place, which was undrawn at 31 December 2020.

Employees

Our employees are seen as a key component and asset of our business. Employees or their representatives are consulted on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests.

All our employees are encouraged to take an active role in health, safety and environmental issues and in maintaining and continually developing excellence in service delivery. In addition to a periodic newsletter emphasising safety and operational best practice, regular safety notices are distributed to all employees. In addition, group meetings are held and contract specific bulletins circulated to all relevant personnel in order to achieve a common awareness of all employees in relation to the strategy of the Group and the relevant financial and economic factors that affect the performance of the Group.

The Group makes use of web based technology to further improve the dissemination of information and encourage greater collaboration from its global workforce.

Business relationships

We work closely to manage the important relationships we have with our customers – regularly engaging with them, and delivering high quality services to high standards of safety and reliability to consistently meet their requirements. The Group also works closely with its suppliers to ensure standards of ethical behaviour that are consistent with our own. We work with suppliers and their supply chains to provide fully-compliant, cost-effective goods, services and solutions.

Impact on community and environment

The Group continues to be committed to operating its business in an environmentally responsible way, and environmental sustainability constitutes a key part of our improvement plan. Within Europe, carbon emissions monitoring has been in place for a number of years, and we have actively sought and acted upon opportunities to improve environmental performance. This has included eliminating sources of non-recyclable waste in favour of recyclable alternatives, and switching to 100% renewable source electricity providers for all Aberdeen premises.

The Group has also implemented a Carbon Offsetting program with Carbon Footprint Ltd. This is a combination program in the UK and the Brazilian Amazon which will offset 330 tonnes of carbon per annum. Within the Amazon, the scheme protects the existing rainforest from deforestation, and this is verified by the Brazilian Amazon Verified Carbon Standard Reduced Emissions from Deforestation and Degradation project to guarantee the emissions reduction. Within the UK, for each tonne of carbon offset, one tree has been planted within the UK. This has been done in conjunction with local primary schools to help educate and raise awareness among the children. Further reductions in the group's carbon footprint will be achieved through the reduction in non-essential travel through the utilisation of video-conferencing technology.

Reputation for high standards of business conduct

Responsible business conduct is fundamental to the long-term success of the Group. Sparrows is committed to the highest standards of business ethics and corporate social responsibility toward our clients, our staff, our suppliers and the communities in which we operate in. Our Business Ethics Policy sets out the standards and behaviours expected of all our employees, contractors, suppliers and consultants, and details the guidance and support that we provide to help them meet the high standards of business conduct – legally and ethically – that we expect.

Streamlined energy & carbon reporting

As a part of the environmental reporting requirements relating to UK energy usage, the Group has implemented various processes to capture the required data and improve energy efficiency.

Qualifying Entities

- Sparrows Offshore Services Limited (SOSL) – UK operational data

Sparrows Greenhouse Gas Emissions

	2020 tCO2e	2019 tCO2e
Scope 1 Emissions - Direct GHG emissions Emissions from combustion of gas, heating oil and fuel for transport purposes.	293.80	327.43
Scope 2 Emissions - Energy indirect emissions Emissions from purchased electricity	270.47	354.62
Scope 3 Emissions - Other indirect emissions Emissions from business travel in rental or employee-owned vehicles where the business is responsible for purchasing the fuel.	52.54	N/A
TOTAL – KwH consumption	**2,226,865**	**2,476,371**
TOTAL - tCO2e	**616.82**	**682.05**
Intensity ratio	**96.81**	**95.13**

Methodology

- The data has been gathered following the guiding principles of the Greenhouse Gas Protocol Corporate Standard
- Emissions factors used are the UK Governments published figures for 2019 & 2020.
- All data for 2020 has been collected and reported; 2019 data has been collected where it was available. The only 2019 data not available was data relating to Scope 3 emissions (business travel) as this was not tracked at the time.
- Intensity ratio has been calculated as follows:

$$Intensity\ ratio = \frac{tCO_2e\ for\ 12\ month\ period}{Man\ hours\ for\ 12\ month\ period} \times 200{,}000$$

- Abbreviations:
  - GHG- Greenhouse Gas
  - tCO2e - Metric tonnes of Carbon Dioxide Equivalent
  - KwH - Electrical energy equivalent to one kilowatt (1000 watts) being used for one hour

Energy efficiency actions & commitment to the environment

The Group is committed to operating its business in an environmentally responsible way. This section of the report gives an overview of the different improvement opportunities that the Group has implemented, and also future opportunities.

- **Renewable source electricity & electricity use**

In July 2019, the Group transferred their electricity supply for all Aberdeen, UK premises to a 100% renewable source tariff. When compared with 2019, the Group's UK operations have decreased electricity use by 15% (adjusted for man hours), partly due to the measures undertaken, but also partly due to temporary offices closures due to COVID-19.

- **ISO 14001:2015**

Sparrows Offshore Services Limited entity holds certification to ISO 14001:2015 through BSI. As part of this, all Environmental Risk Assessments review the lifecycle stage of the activity, and the aspect and impact of the activity. All of this information is used to identify practicable controls to minimise the environmental impact of the activity using the hierarchy of control. We also conduct regular environmental drills at our facilities to ensure that in the event of an incident, all employees are aware of the correct procedure to follow to minimise environmental impact. All environmental incidents, no matter how small, are reported in line with the group's incident reporting & investigation process and are investigated to ensure that corrective actions are taken and lessons learned communicated.

- **Vehicles**

Vehicle trackers have been fitted to all Sparrows UK vehicles; this has reduced fuel usage as a result of improved delivery and collection route planning.

- **Lighting**

Fluorescent lighting: Most internal and external bulbs have been replaced with LED lighting.

Hi-Bay Lighting: Upgrades to hi-bay lighting to LED lighting has commenced. This applies to Sparrows Offshore Services Limited.

- **Gas saving opportunities**

Workshop Heating: Energy saving devices have been fitted to indirect heaters. This applies to Sparrows Offshore Services Limited.

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

S A A Mitchell
Chief Executive Officer

28 April 2021

HAWK DEBTCO LIMITED

Directors' report for the year ended 31 December 2020

The directors present their annual report on the affairs of the Group and Company, together with the audited financial statements of the Group and independent auditors' report, for the year ended 31 December 2020.

Operations

The Group is headquartered in the UK and operates in global markets with subsidiaries or locally registered branch offices in the US, Continental Europe, Africa, Middle East, Asia Pacific, Australasia, Brazil and Caspian.

Future developments

The future developments of the Group are discussed in the strategic report.

Funding and going concern

In December 2020 the Group executed a new third party financing agreement. Bank term debt was repaid and a Euro 110,000,000 Fixed rate bond was issued. In addition a super senior revolving credit facility of £15m was put in place, which is currently undrawn at 31 December 2020. As a result of this financing, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis in preparing the financial statements.

Dividends

There were no dividends paid in 2020 (2019: nil).

Directors

The present membership of the board is set out on page 1. The directors who served during the year and up to the date of this report were as follows:

S A A Mitchell
N A Johnson
A J W Hoffman

Employee involvement

Our employees are seen as a key component of the business.

Employees or their representatives are consulted on a regular basis so that the views of employees can be taken into account in making decisions that are likely to affect their interests.

All our employees are encouraged to take an active role in health, safety and environmental issues and in maintaining and continually developing excellence in service delivery. In addition to a periodic newsletter emphasising safety and operational best practice, regular safety notices are distributed to all employees. In addition, group meetings are held and contract specific bulletins circulated to all relevant personnel in order to achieve a common awareness of all employees in relation to the relevant financial and economic factors that affect the performance of the Group.

The Group is presently making use of web based technology to further improve the dissemination of information and encourage greater collaboration from its global workforce.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Business relationships

We work closely to manage the important relationships we have with our customers – regularly engaging with them, and delivering high quality services to high standards of safety and reliability to consistently meet their requirements. The Group also works closely with its suppliers to ensure standards of ethical behaviour that are consistent with our own. We work with suppliers and their supply chains to provide fully-compliant, cost-effective goods, services and solutions.

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

Environmental matters

The Group continues to be committed to operating its business in an environmentally responsible way, and environmental sustainability constitutes a key part of our improvement plan. Within Europe, carbon emissions monitoring has been in place for a number of years, and we have actively sought and acted upon opportunities to improve environmental performance. This has included eliminating sources of non-recyclable waste in favour of recyclable alternatives, and switching to 100% renewable source electricity providers for all Aberdeen premises.

The Group has also implemented a Carbon Offsetting program with Carbon Footprint Ltd. This is a combination program in the UK and the Brazilian Amazon which will offset 330 tonnes of carbon per annum. Within the Amazon, the scheme protects the existing rainforest from deforestation, and this is verified by the Brazilian Amazon Verified Carbon Standard Reduced Emissions from Deforestation and Degradation project to guarantee the emissions reduction. Within the UK, for each tonne of carbon offset, one tree has been planted within the UK. This has been done in conjunction with local primary schools to help educate and raise awareness among the children. Further reductions in the group's carbon footprint will be achieved through the reduction in non-essential travel through the utilisation of video-conferencing technology. Sparrows Greenhouse Gas Emissions has been included in the Strategic report.

Financial risk management

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

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

Directors' indemnities

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

Provision of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

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

Independent auditors

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

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

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

S A A Mitchell
Chief Executive Officer

28 April 2021

Directors’ responsibilities statement for the year ended 31 December 2020

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 Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

Independent auditors' report to the members of Hawk Debtco Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hawk Debtco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's and company's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for opinion

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

Independence

We remained independent of the 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.

Our audit approach

Overview

Audit scope

- As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.
- Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:
  • obtaining and reviewing the Group's cashflow forecasts for the going concern period, challenging management's assumptions used and verifying that they are consistent with our existing knowledge and understanding of the business;

  • testing the model for mathematical accuracy;

• reviewing the Group's cashflow forecasts under severe but plausible downside scenarios, evaluating the assumptions used, and verifying that the group is able to maintain liquidity and comply with the covenants within the going concern period under these scenarios;

• assessing the adequacy of the disclosure provided in note 3 of the financial statements"

Key audit matters

- Impact of Covid-19 (group)

Materiality

- Overall group materiality: £1,103,000 (2019: £823,000) based on 0.6% of Group revenue.
- Overall company materiality: £3,095,000 (2019: £5,980,000) based on 1% of total assets.
- Performance materiality: £827,000 (group) and £2,321,000 (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, 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 UK tax legislation and Health and Safety laws and regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. 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 inappropriate journal entries to increase revenue, and manipulation of the revenue calculation. 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;
- Understanding management's controls designed to prevent and deter irregularities;
- Review of board minutes;
- Challenging management on assumptions and judgements made in their significant accounting estimates;
- Identifying and testing journal entries to assess whether any of the journals appeared unusual, in particular, journal entries that impacted revenue recognised.

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.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Impact of Covid-19 (group) There is a continuing global impact of coronavirus (“COVID-19”) which has affected business and economic activity, including the UK where the Group and Company operates. The range of the potential outcomes are difficult to predict, but potentially include a prolonged global recession and long term decreases in commodity prices, including oil & gas. Management is monitoring the COVID-19 outbreak developments closely and is following the guidance and abiding by the requirements of the various countries where they operate in. However, the virus has the potential to cause disruption to the Group’s and Company’s activities and impact earnings, cash flows and financial conditions. Management has assessed the impact of these factors on its activities and, in particular, the Sparrows Offshore Group’s and the Company’s ability to continue as going concerns by preparing detailed working capital projections for 2021 and 2022, including modelling downside scenarios. Based on management’s review of the Group’s operations, contingency planning and working capital projections (including scenario modelling), management believe that Sparrows Offshore Group and the Company are adequately positioned to maintain the continuity of operations and have sufficient financial resources to meet their obligations as they fall due for at least 12 months from the date of this report. Given the uncertainties and potential implications on the global economy, and hence the Group, resulting from the COVID-19 outbreak and the existence of pressures, and further possible volatility in the oil & gas market, we have assessed this as a key audit matter.	To assess the adequacy of management’s disclosure of the potential impact of current economic conditions, related to the COVID-19 outbreak and the existence of pressures , and further possible volatility, in the oil & gas market on the Group and Company’s financial position and operations, we performed the following: We evaluated management’s assessment of the Group’s downside scenarios, including a reasonable worst-case scenario, and challenged their adequacy and underlying assumptions: - including the level of reduction in oil and gas market activity used in the scenarios; - and the availability of drawdown facilities and ability to meet loan covenant terms. On the basis of the procedures above, we evaluated the level of forecast funds available to the Group and agreed with management’s assessment that there would likely be a sufficient level of working capital for the Group throughout the period to the end of June 2022. We read management’s disclosures in the financial statements in relation to the impact of COVID-19. We have assessed those disclosures to be appropriate. Our conclusions relating to going concern are included below.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£1,103,000 (2019: £823,000).	£3,095,000 (2019: £5,980,000).
How we determined it	0.6% of Group revenue	1% of total assets
Rationale for benchmark applied	We considered the following benchmarks when approaching the calculation of overall materiality – total revenues, total assets, adjusted pre-tax income and EBITDA. We concluded that the most appropriate benchmark was total revenue given profitability measures continue to be depressed as a result of the pricing environment in the global oil and gas industry and not reflective of the scale of the operations of the Group. Revenue is a key measure used by shareholders in assessing the performance of the Group.	The company is a holding company to the group and as such total assets is considered the most appropriate benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £350,000 and £1,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £827,000 for the group financial statements and £2,321,000 for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £55,100 (group audit) (2019: £41,100) and £154,700 (company audit) (2019: £299,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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 and 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 group's and 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.

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' responsibilities statement, 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' responsibilities statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' responsibilities statement 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 company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' responsibilities statement.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, 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 and 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 group or 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
28 April 2021

HAWK DEBTCO LIMITED

Group profit and loss account
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Group turnover	5	183,852	208,025
Cost of sales (including exceptional costs)		(152,735)	(167,650)
Gross profit		31,117	40,375
Non- GAAP analysis of results before gross profit:			
Underlying gross profit		34,449	40,470
Government grants received – cost of sales		(2,315)	-
Exceptional costs – cost of sales	9	(1,017)	(95)
Administrative expenses (including exceptional costs)		(28,323)	(30,031)
Other operating income	10	2,553	-
Group operating profit		5,347	10,344
Non GAAP analysis of results before operating profit:			
Underlying EBITDA		**20,056**	**23,141**
Depreciation		(3,628)	(3,780)
Amortisation of intangible assets	6	(8,266)	(8,281)
Joint venture share of EBITDA		(316)	(366)
Exceptional costs - cost of sales	9	(1,017)	(95)
Exceptional costs - administrative	9	(1,482)	(275)
Finance costs	8	(21,584)	(25,045)
Share of profit before tax in joint ventures		266	154
Loss before taxation	6	(15,971)	(14,547)
Tax on loss	11		
- Group		(22)	4,496
- Joint venture		(94)	(97)
	23		
Loss for the financial year		(16,087)	(10,148)
Loss attributable to:			
Owners of the parent		(16,447)	(10,479)
Non-controlling interests		360	331
Loss for the financial year	23	(16,087)	(10,148)

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

HAWK DEBTCO LIMITED

Group statement of comprehensive income
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Loss for the financial year		(16,087)	(10,148)
Exchange gain arising on translation of foreign branches and subsidiaries	23	3,550	7,024
Total comprehensive expense		(12,537)	(3,124)

HAWK DEBTCO LIMITED

Group balance sheet
As at 31 December 2020

	Note	2020	2019
		£'000	**£'000**
Fixed assets			
Intangible assets	12	92,988	101,443
Tangible assets	13	10,925	13,195
		103,913	114,638
Investments	14	500	630
		104,413	115,268
Current assets			
Inventories	15	4,997	5,587
Debtors (including £18.9m (2019: £16.8m) falling due after more than one year)	16	65,903	70,192
Cash at bank and in hand		19,176	25,301
		90,076	101,080
Creditors: amounts falling due within one year	18	(32,146)	(47,388)
Net current assets		**57,930**	**53,692**
Total assets less current liabilities		162,343	168,960
Creditors: amounts falling due after more than one year			
Long term debt	19	(275,196)	(266,426)
Accruals		(1,080)	(586)
Net liabilities		(113,933)	(98,052)
Capital and reserves			
Called up share capital	22	24,403	24,403
Profit and loss account	23	(140,264)	(127,367)
Total equity attributable to owners of the parent		(115,861)	(102,964)
Non-controlling interests	29	1,928	4,912
Total equity deficit		(113,933)	(98,052)

The Group financial statements of Hawk Debtco Limited on pages 19 to 54 were approved by the Board of Directors on 28 April 2021 and signed on its behalf.

N A Johnson
Chief Financial Officer

HAWK DEBTCO LIMITED

Company balance sheet
As at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	14	45,303	45,303
Current assets			
Debtors	16	264,198	253,784
Cash in bank and in hand		26	-
Creditors: amounts falling due within one year	18	(69,878)	(213,303)
Net current assets		194,346	40,481
Total assets less current liabilities		239,649	85,784
Creditors: amounts falling due after more than one year	19	(258,553)	(101,668)
Net liabilities		(18,904)	(15,884)
Capital and reserves			
Called up share capital	22	24,403	24,403
Profit and loss account	23	(43,307)	(40,287)
Total shareholders' deficit		(18,904)	(15,884)

The financial statements of Hawk Debtco Limited on pages 19 to 54 were approved by the Board of Directors on 28 April 2021 and signed on its behalf.

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. At 31 December 2020 the parent company made a loss of £3.0m (2019: £3.5m loss).

Signed on behalf of the Board of Directors

N A Johnson
Chief Financial Officer

HAWK DEBTCO LIMITED

Group statement of changes in equity
Year ended 31 December 2020

	Called up share capital £'000	Profit and loss account £'000	Total attributable to owners of parent £'000	Non-controll-ing interest £'000	Total Shareholders deficit £'000
Balance as at 1 January 2019	24,403	(123,912)	(99,509)	4,388	(95,121)
Issue of a non-controlling interest in share capital of Sparrows Saudi Arabia LLC	-	-	-	21	21
(Loss)/ profit for the year	-	(10,479)	(10,479)	331	(10,148)
Other comprehensive income for the year	-	7,024	7,024	172	7,196
Total comprehensive (expense)/income for the year	-	(3,455)	(3,455)	524	(2,931)
Balance as at 31 December 2019	**24,403**	**(127,367)**	**(102,964)**	**4,912**	**(98,052)**
Balance as at 1 January 2020	24,403	(127,367)	(102,964)	4,912	(98,052)
(Loss)/profit for the year	-	(16,447)	(16,447)	360	(16,087)
Other comprehensive income/(expense) for the year	-	3,550	3,550	(186)	3,364
Dividends	-	-	-	(3,158)	(3,158)
Total comprehensive expense for the year	-	(12,897)	(12,897)	(2,984)	(15,881)
Balance as at 31 December 2020	**24,403**	**(140,264)**	**(115,861)**	**1,928**	**(113,933)**

HAWK DEBTCO LIMITED

Company statement of changes in equity
Year ended 31 December 2020

	Called up share capital £'000	Profit and loss account £'000	Total shareholders' deficit £'000
Balance as at 1 January 2019	24,403	(36,817)	(12,414)
Loss for the financial year	-	(3,470)	(3,470)
Balance as at 31 December 2019	24,403	(40,287)	(15,884)
Balance as at 1 January 2020	24,403	(40,287)	(15,884)
Loss for the financial year	-	(3,020)	(3,020)
Balance as at 31 December 2020	**24,403**	**(43,307)**	**(18,904)**

HAWK DEBTCO LIMITED

Group cash flow statement
Year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Net cash from operating activities	24	18,782	19,025
Taxation paid		(2,757)	(2,200)
Net cash generated from operating activities		16,025	16,825
Cash flow from investing activities			
Capital expenditure		(1,632)	(2,693)
Acquisition in subsidiaries		(727)	(1,945)
Return on investment		78	10
Net cash used in investing activities		(2,281)	(4,628)
Cash flow from financing activities			
Repayment of obligations under finance leases		(11)	(75)
Issue of loan notes to non-controlling interests for cash		3,885	-
Dividends paid to non-controlling interest		(3,158)	-
Bond financing		98,841	-
Debt issue costs		(3,693)	-
Repayment of term debt		(108,562)	-
Interest paid		(7,000)	(7,919)
Special contribution tax		(117)	(78)
Net cash used in financing activities		(19,815)	(8,072)
Net (decrease)/increase in cash and cash equivalents		(6,071)	4,125
Cash at the beginning of the year		25,301	22,464
Exchange loss on cash and cash equivalents		(54)	(1,288)
Cash at the end of the year		19,176	25,301

1. General information

The principal activities of the Group comprise oilfield engineering services, offshore lifting, crane engineering and services, mechanical handling, inspection services, pipe and cable lay systems, fluid power engineering, equipment rentals, wind turbine maintenance and Inspection and competence training.

The Group is headquartered in the UK and operates in global markets with subsidiaries or locally registered branch offices in the US, Continental Europe, Africa, Middle East, Asia Pacific, Australasia, Brazil and Caspian.

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

2. Statement of compliance

The Group and individual financial statements of Hawk Debtco Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3. Summary of significant accounting policies

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

Basis of preparation

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

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

Going concern

Although inherent uncertainties exist within the Group’s future projections, primarily in relation to future market conditions and activity levels and the impact of exchange rate movements on future reported performance and financial position, the directors expect to be in compliance with the Group’s current financing terms and conditions for the foreseeable future.

The forecast results include reasonably possible sensitivities. The Group has prepared both a base case and a severe downside case forecast, in accordance with the FRC's guidelines regarding going concern, and in both cases the Group has significant headroom in both liquidity and its financial covenants.

Having considered the foregoing, the directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, we consider the going concern basis continues to be appropriate in the preparation of these financial statements.

3. Summary of significant accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2020, using the acquisition method. The results of subsidiaries acquired are consolidated from the date on which control passed.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

Where control of a subsidiary is lost, the gain or loss is recognised in the consolidated income statement. The cumulative amounts of any exchange differences on translation, recognised in equity, are not included in the gain or loss on disposal and are transferred to retained earnings. The gain or loss also includes amounts included in other comprehensive income that are required to be reclassified to profit or loss but excludes those amounts that are not required to be reclassified.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates to the extent of the Group's interest in the entity.

The Group has not taken exemption from the requirement to prepare consolidated financial statements for year ended 31 December 2019 and 31 December 2020 on the basis that the Group is required to consolidate at this level for finance compliance purposes.

Acquisitions and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measure reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated as goodwill. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its estimated useful economic life, which has been assessed by the directors as being 20 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss. Reversals of impairment are recognised when the reasons for the impairment no longer apply.

3. Summary of significant accounting policies (continued)

Intangible fixed assets

Patents, copyrights, trade names and trademarks are valued at cost and are amortised in equal annual amounts over their estimated useful economic life, which ranges from 7 to 20 years. Provision is made for any impairment when identified.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Freehold property	50 years
Leasehold improvements	3 to 10 years
Plant and machinery	3 to 10 years

Residual value is calculated on prices prevailing at the date of acquisition. Assets under construction are not depreciated until the asset is complete and available for use at which time it is transferred to the relevant asset category.

The Group has elected to use the previous UK GAAP valuation of certain items of land and buildings as the deemed costs on transition to FRS 102. The items are being depreciated from the date of transition (1 January 2016) in accordance with the Group's accounting policies.

Subsequent costs, including major inspections, are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the group and the cost can be measured reliably.

The carrying amount of any replaced component is derecognised. Major components are treated as separate assets where they have significantly different patterns of consumption of economic benefits and are depreciated separately over their useful lives.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

3. Summary of significant accounting policies (continued)

Investments

Investments in subsidiaries are held as fixed assets are stated at cost less provision for any permanent impairment in value. Investments in any joint ventures are held as fixed assets and are stated at cost less provision for any permanent impairment in value and accounted through equity accounting.

Investments are tested for impairment whenever there is evidence or indication that these assets may be impaired. For the purpose of impairment testing, the recoverable amount (higher of fair value less costs to sell and value-in-use) is determined on an individual investment basis. If the recoverable amount of the asset is less than the carrying amount, the carrying amount is reduced to its recoverable amount. The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in the profit and loss

Inventories

Finished goods and WIP are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production, based on normal levels of activity. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. An assessment for impairment is conducted annually, with any impairment charge being recognised in the profit and loss account. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the profit and loss account.

Financial instruments

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

Financial Assets

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

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

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

Financial liabilities

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

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

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

3. Summary of significant accounting policies (continued)

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest and exchange rate movements. Derivative financial instruments are initially recognised as fair value on the date a derivative contract is entered into and subsequently remeasured at their fair value at each period end. All changes in fair value are directly taken to the profit and loss in the period. The Group does not hold or issue derivative financial instruments for speculative purposes.

Turnover

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

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

Government grant income

Grant income represents amounts receivable in respect of expenditure. The income is credited to profit and loss in the same period as expenditure is charged to profit and loss. All government grant income received during the year relates to the UK Government Coronavirus Job Retention Scheme (‘Furlough’) and similar international COVID-19 support schemes.

Exceptional items

Exceptional items are non-recurring items which are material in size or by nature and are outside the normal scope of the Group’s ordinary activities. Such items are disclosed separately within the financial statements.

Long-term contracts

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at present value of the minimum lease payments and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. During 2020 the group has received rent concessions on a number of the leased properties as a result of COVID-19. In accordance with the amendment to FRS 102 the group has recognised the change in lease payments over the period that the change is intended to compensate. The total lease concessions recognised in the profit and loss for the year was £165k (2019: nil).

Rentals under operating leases are charged on a straight-line basis over the lease term.

3. Summary of significant accounting policies (continued)

Foreign currency transactions

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

The transactions of overseas branches and subsidiaries are translated into sterling at the average rate of exchange during the period and their balance sheets at the rate ruling at the balance sheet date. Goodwill assigned to acquired overseas businesses and denominated in overseas currencies, using the exchange rate in operation at the acquisition date, is translated into sterling at the exchange rate in force at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Pension costs

The Group operates a defined contribution scheme for eligible employees. The pension costs are charged to the profit and loss account as they become payable. Differences between contributions payable in the period and contributions actually paid in the period are shown as either accruals or prepayments in the balance sheet.

Taxation

Corporation tax, including United Kingdom and overseas taxation, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

Capital instruments

Capital instruments are accounted for and classified as equity or debt according to their form. An equity instrument is any contract that evidences a residual interest in the consolidated assets of the Group after deducting all its liabilities with an amount equal to the nominal amount of the shares issued included in the share capital account and the balance recorded in the share premium account.

Bank and bond borrowings

Borrowings are recorded at the proceeds received, net of direct issue costs. Finance costs, including direct issue costs, are recognised in the profit and loss account over the term of such instruments.

4. Critical accounting judgements and estimation uncertainty

(a) Critical judgements in applying the entity's accounting policies

(i) Recognition of deferred tax assets

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Recoverability is based on management estimates of future taxable profits.

(b) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Group does not have any key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts within the next financial year. However, we are required to make estimates in the accounting for goodwill impairment. Key estimates for this test are explained in the note below, but even though there is a risk in the longer term that there could be changes to the carrying values of goodwill, they are not at risk of causing a material adjustment in the next financial year.

(i) Impairment of goodwill

The Group considers whether goodwill is impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. Sensitivity analysis is performed as a part of impairment assessment. The recoverable amount has also been stress tested by sensitivity analysis based on potential revenue declines, adverse foreign exchange movements, subsequent cash flows and WACC. The Group has also considered the impact of climate change in its goodwill impairment assessment.

5. Group turnover

Turnover represents the value of goods and services provided within the Group's ordinary activities after deduction of trade discounts and value added tax.

The geographical analysis of turnover by origin is:

	2020 £'000	2019 £'000
United Kingdom	80,424	86,378
North America	35,066	39,850
Rest of the world	68,362	81,797
	183,852	208,025
Group share of joint venture turnover - Rest of the world	1,774	1,856

The turnover is attributable to the Group's principal activities. All results relate to continuing operations. No further segmental analysis of turnover and operating loss is provided as the directors consider this may be prejudicial to the commercial interests of the Group.

6. Loss before taxation

	2020 £'000	2019 £'000
Loss before taxation is stated after charging/(crediting):		
Depreciation	3,628	3,780
Goodwill amortisation	7,940	7,947
Amortisation of patents	55	62
Amortisation of trade name	271	272
Realised exchange gain	(171)	(618)
Gain on disposal of tangible fixed assets	-	(18)
Rentals payable under operating leases:		
Plant and machinery	1,152	1,289
Other	4,463	4,490

The analysis of auditors' remuneration is as follows:

Fees payable to the Group's auditors for the audit of the company's annual financial statements	58	32
Fees payable to the Group's auditors for the audit of subsidiaries	206	165
Fees payable to the Group's auditors and their associates for other services to the Group:		
- Tax services	186	214

Notes to the financial statements (continued)
Year ended 31 December 2020

7. Information regarding directors and employees

	2020 £'000	2019 £'000
Staff costs during the year:		
Wages and salaries	74,033	88,222
Social security costs	6,515	7,101
Other pension costs (note 27)	2,239	2,409
	82,787	97,732

	2020 No.	2019 No.
Average monthly number of persons employed:		
Servicing, production and operation	1,453	1,486
Administration	250	263
	1,703	1,749

The directors are considered to be the key management personnel of the business.

	2020 £'000	2019 £'000
Directors' remuneration		
Emoluments	968	1,131
Pension contributions	84	82
	1,052	1,213
Highest paid director		
Emoluments	431	520
Pension contributions	39	39
	470	559

	2020 No.	2019 No.
Number of directors who are members of a defined contribution pension scheme	3	3

Notes to the financial statements (continued)
Year ended 31 December 2020

8. Finance costs (net)

	2020 £'000	2019 £'000
Group	21,582	25,049
Joint venture	2	(4)
	21,584	25,045

	2020 £'000	2019 £'000
Interest payable and similar expenses (see below)	19,254	19,497
Foreign exchange (gain)/loss	(8,664)	5,611
Refinancing realised foreign exchange on repayment of bank debt	10,947	-
Share of joint venture's interest payable	2	-
Less: investment income (see below)	(3)	(15)
Loss/(gain) on derivative financial instruments	48	(48)
	21,584	25,045

	2020 £'000	2019 £'000
Investment income		
Interest receivable and similar income	3	11
	3	11
Share of joint venture's investment income:		
Interest receivable and similar income	-	4
	3	15

	2020 £'000	2019 £'000
Interest payable and similar expenses		
Bank loans	6,541	7,806
Bond interest payable	259	-
Group interest payable- non-cash	10,483	10,493
Amortisation of debt issue costs - non-cash	1,429	794
Other interest payable	87	85
Interest on LFH loan notes - non-cash	455	319
	19,254	19,497

Notes to the financial statements (continued)
Year ended 31 December 2020

9. Exceptional items

Exceptional items are analysed as follows:

	2020 £'000	2019 £'000
Exceptional costs - cost of sales		
Reorganisation costs	1,017	95
Exceptional costs - administrative		
Reorganisation costs	1,482	275
	2,499	370

Exceptional costs were primarily in relation to redundancies and facility closure costs due to the prevailing market conditions and COVID-19.

10. Other operating income

	2020 £'000	2019 £'000
Government grant income		
Job retention schemes	2,553	-
	2,553	-

Notes to the financial statements (continued)
Year ended 31 December 2020

11. Tax on loss

	2020 £'000	2019 £'000
Current taxation		
UK corporation tax	599	907
Foreign tax	2,248	1,963
Double tax relief	(596)	(661)
Adjustments in respect of prior period		
UK corporation tax	101	136
Foreign tax	202	(128)
Total current tax	2,554	2,217
Deferred taxation		
Current year	(2,893)	(6,460)
Prior year	361	(253)
Tax - Group	22	(4,496)
Share of joint venture's tax	94	97
Total tax charge/(credit)	116	(4,399)

11. Tax on loss (continued)

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

	2020 £'000	2019 £'000
Loss before taxation	(15,971)	(14,547)
Less: share of joint venture's profit before tax	(266)	(154)
	(16,237)	(14,701)
Tax on loss at standard rate of 19% (2019: 19%)	(3,085)	(2,793)
Factors affecting charge for the year:		
Permanently disallowable items	1,321	3,753
Fixed asset timing differences	-	41
Other short-term timing differences	(307)	(298)
Tax rate differences on overseas earnings	376	496
Losses utilised	(4)	(4,666)
Group relief surrendered	477	-
Impact of different UK tax rates	(404)	-
Income not taxable	(324)	(754)
Foreign taxes not recoverable	595	179
Losses upon which deferred tax not recognised	-	(596)
Losses not utilised	672	346
Adjustments in respect of prior periods	663	(247)
Other	25	16
Foreign exchange on tax balances	17	27
Tax on loss on ordinary activity - Group	22	(4,496)
Share of joint venture's tax	94	97
Total tax charge/ (credit) for the year	116	(4,399)

Tax rate changes

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020.

The Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £1,306k and to increase the deferred tax asset by £1,306k.

12. Intangible assets

Group	**Goodwill £'000**	**Trade name £'000**	**Patents, copyrights and trademarks £'000**	**Total £'000**
Cost				
At 1 January 2020	149,167	2,715	667	152,549
Exchange movement	(581)	-	(20)	(601)
At 31 December 2020	148,586	2,715	647	151,948
Accumulated amortisation				
At 1 January 2020	50,190	543	373	51,106
Charge for the year	7,940	271	55	8,266
Exchange movement	(397)	-	(15)	(412)
At 31 December 2020	57,733	814	413	58,960
Net book value				
At 31 December 2020	90,853	1,901	234	92,988
At 31 December 2019	98,977	2,172	294	101,443

The individual intangible asset, excluding goodwill, which is material to the financial statements is Trade name which is amortised over 10 years and has a remaining amortisation period of 7 years.

Notes to the financial statements (continued)
Year ended 31 December 2020

13. Tangible assets

Group	**Freehold property £'000**	**Leasehold improve-ments £'000**	**Plant and machinery £'000**	**Assets in the course of construction £'000**	**Total £'000**
Cost					
At 1 January 2020	3,309	2,921	33,299	606	40,135
Additions	65	54	558	906	1,583
Disposals	-	(2)	(944)	-	(946)
Transfers	-	298	550	(848)	-
Foreign exchange movements	(113)	(34)	(388)	(11)	(546)
At 31 December 2020	3,261	3,237	33,075	653	40,226
Accumulated depreciation					
At 1 January 2020	310	2,773	23,857	-	26,940
Charge for the year	75	282	3,271	-	3,628
Disposals	-	-	(837)	-	(837)
Foreign exchange movements	(11)	(46)	(373)	-	(430)
At 31 December 2020	374	3,009	25,918	-	29,301
Net book value					
At 31 December 2020	2,887	228	7,157	653	10,925
At 31 December 2019	2,999	148	9,442	606	13,195

The net carrying amount of assets held under finance leases included plant and machinery is £68k (2019: £90k).

14. Investments

Group	**Shares in joint ventures £'000**
Cost and net book value	
At 1 January 2020	630
Share of retained profit	29
Foreign exchange movements	(159)
At 31 December 2020	500

The Group hold shares in the joint ventures of Tenaga Sparrows SDN BHD, a non-trading joint venture registered in Brunei and Sparrows BSM Engenharia Ltda, a joint venture involved in crane operation and maintenance registered in Brazil.

Company	**Shares in subsidiary undertakings £'000**
Cost and net book value	
At 1 January 2020 and 31 December 2020	45,303

The Company holds directly, at a cost of £45.3m, 100% of the issued share capital of Hawk Holdco Limited, a company registered in Scotland, which operates as an intermediate holding company.

The directors believe that the carrying value of the investments is supported by fair value of future cashflows.

Notes to the financial statements (continued)
Year ended 31 December 2020

14. Investments (continued)

Details of subsidiary and joint venture undertakings held by the Company are as follows:

Name of company	Country of incorporation	Nature of business	Proportion of shares held
Hawk Holdco Limited	Scotland	Holding company	100%
Hawk BidCo US Inc*[3]	USA	Holding company	100%
Energy Cranes International Limited*[2]	England	Holding company	100%
Arranco 3 Limited*[1]	Scotland	Holding company	100%
Arranco US, LLC*[3]	USA	Holding company	100%
Arranco 4 Limited*[1]	Scotland	Holding company	100%
Sparrows Offshore LLC*[3]	USA	Crane manufacture, operation and maintenance	100%
Sparrows Offshore International Group Limited*[1]	Scotland	Holding company	100%
Sparrows Global Resources Pte Ltd*[4]	Singapore	Employment company	100%
Sparrows Offshore Services Limited*[2]	England	Crane operation and maintenance	100%
Sparrows Angola Limited*[1]	Scotland	Crane operation and maintenance	100%
Pt Sparrows Offshore*[5]	Indonesia	Crane operation and maintenance	100%
Sparrows (Equatorial Guinea) Ltd*[2]	England	Crane operation and maintenance	100%
Pt Sparrows Services Batam*[6]	Batam, Indonesia	Crane operation and maintenance	100%
Sparrows India 1 Limited*[2]	England	Holding company	100%
Sparrows India 2 Limited*[2]	England	Holding company	100%
Sparrows Offshore Services India Private Limited*[7]	India	Crane operation and manufacture	100%
Sparrows FZE*[8]	Dubai	Crane operation and maintenance	100%
Sparrows Offshore Services (Singapore) Pte Limited*[4]	Singapore	Crane operation and maintenance	100%
Sparrows Saudi Arabia LLC*[9]	Saudi Arabia	Crane operation and maintenance	80%
Tenaga Sparrows Sdn Bhd*[10]	Brunei	Non-trading	50%
Sparrows BSM Engenharia Ltda*[2]	Brazil	Crane operation and maintenance	50%
Servtech Limited*[1]	Scotland	Inspection services	100%
Servtech UK Limited*[1]	Scotland	Inspection services	100%
Sparrows Holdings Australia Pty Ltd*[11]	Australia	Holding company	100%
Sparrows Services Australia Pty Ltd*[11]	Australia	Crane operation and maintenance	100%
Sparrows Denmark ApS*[12]	Denmark	Holding company	67.56%
Alpha Offshore Service A/S*[12]	Denmark	Inspection and maintenance services	67.56%
Hawk Engineering Lifting Solutions Lda [a13]	Angola	Holding company	99%
SS AO Lifting Solutions Lda[a14]	Angola	Crane operation and maintenance	49%

Notes to the financial statements (continued)
Year ended 31 December 2020

14. Investments (continued)

*Investments held through subsidiaries

[a] Investments have been consolidated as Hawk Debtco Group has effective control of the entities. Control exists through majority board holding, full power of attorney and entitlement to the profits.

Registered addresses

[1] 13 Queens Road, Aberdeen, AB15 4YL

[2] 30 Crown Place, London, EC2A 4ES

[3] The corporation Trust Company, Corporation Trust Centre, 1209 Orange Street, Wilmington, DE 19801

[4] 112 Robinson #05-01, Singapore 068902

[5] JL Raya Cakung Cilincing No. 9B & 43, Jakarta Utara 14130 Indonesia

[6] Blok A2 No 1 Executive Park Batam Centre, Kepulauan Riau, Indonesia 29464

[7] Plot No. D-174, MIDC Shiravne, TTC Industrial Area, Nerul, Navi Mumbai, Maharashtra, India

[8] Office 2201, JAFZA Building 18, PO Box 18694, Dubai, United Arab Emirates

[9] Offices 205/206, 2nd Floor Addar Centre, Prince Metib Road, Dammam 34252, KSA

[10] G22, Lot 3698, Jalan Pangsa, Seria KB2733, Brunei Darussalam

[11] 82 Chisholm Crescent, Kewdale, Perth, Australia WA 6105

[12] Farvervej 1, 7600 Struer, Denmark

[13] Engevia casa s/ n.º, Município de Viana, Kikuxi, Republic of Angola

[14] Rua Alcides Conceição no. 274, Novo Cavaleiros Industrial District, city of Macaé, State of Rio de Janeiro

15. Inventories

Group only	**2020 £'000**	**2019 £'000**
Finished goods and goods for resale	3,039	3,537
Work in progress	1,958	2,050
	4,997	5,587

16. Debtors

	Group 2020 £'000	**Company 2020 £'000**	**Group 2019 £'000**	**Company 2019 £'000**
Trade debtors	29,156	-	35,349	-
Amount owed by group undertakings	963	264,174	868	253,699
Deferred tax (note 17)	18,861	-	16,786	-
Other debtors	7	-	851	-
Derivative financial instruments (note 21)	-	-	48	48
Prepayments and accrued income	16,916	24	16,290	37
	65,903	264,198	70,192	253,784

Group - Deferred tax is a long-term asset which will be recoverable over the term of greater than one year.
Company - Amounts owed by group undertakings are unsecured, carry interest at rates per annum as agreed from time to time between the parties, have no fixed date of repayment and are repayable on demand.

17. Deferred tax asset

Group only	**2020 £'000**	**2019 £'000**
At 1 January	16,786	10,627
Foreign exchange movement	(457)	(48)
Adjustments in respect of prior periods	(361)	(253)
Deferred tax credit in profit and loss account for the year (note 11)	2,893	6,460
At 31 December	18,861	16,786

The deferred tax asset comprises:

Accelerated capital allowances	3,735	3,147
Other timing differences	10,375	9,443
Losses carried forward	4,751	4,196
	18,861	16,786

At 31 December 2020 the Group also has an unrecognised deferred tax asset totalling £2m (2019: £3m) which relates to tax losses. The asset has not been recognised as its recoverability is dependent on a level of taxable profits in specific entities in the foreseeable future and is therefore uncertain.

17. Deferred tax asset (continued)

There are no expected net reversals of deferred tax in the next year. The recognised deferred tax assets include £4.3m which relate to carried-forward tax losses in relation to the US operations. The Group has concluded that these deferred tax assets will be recovered using estimated future taxable income within 5 years which is based on the approved forecasts prepared by management. These forecasts cover the next five years and consider US tax laws. The US group entities have generated taxable profits this year and this is expected to continue in the future. The losses that arose pre 2020 can be carried forward for the period up to 20 years. Under the 2020 CARES Act the losses that arose in 2020 can be carried forward indefinitely. Changes in future profits will impact the recoverability of the deferred tax assets.

18. Creditors: amounts falling due within one year

	Note	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Bank loans	20	-	-	8,000	8,000
Trade creditors		8,807	-	12,505	-
Amounts owed to group undertakings		-	66,572	5,008	204,907
Foreign corporation tax creditor		-	-	167	-
Deferred consideration		-	-	685	-
Other creditors including taxation and social security		2,226	-	2,186	-
Finance leases	20	34	-	59	-
Accruals		21,079	3,306	18,778	396
		32,146	69,878	47,388	213,303

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

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

	Group 2020 £'000	Company 2020 £'000	Group 2019 £'000	Company 2019 £'000
Bank loans (note 20)	-	-	101,667	101,668
Fixed rate bond (note 20)	92,529	92,529	-	-
Shareholder loan notes (note 20)	10,212	-	5,914	-
Finance leases (note 20)	34	-	20	-
Amounts owed to group undertakings	172,421	166,024	158,825	-
Accruals (note 20)	1,080	-	586	-
	276,276	258,553	267,012	101,668

Company - Amounts owed by group undertakings are unsecured, carry interest at rates per annum as agreed from time to time between the parties, with the earliest repayment date of January 2022.

Group - Amounts owed by group undertakings are unsecured, carry interest at rates per annum as agreed from time to time between the parties, with the earliest repayment date of January 2022.

20. Borrowings

	2020 £'000	2019 £'000
Group		
Bank loans	-	109,667
Fixed rate bond	92,529	-
Shareholder loan notes	10,212	5,914
Finance leases	68	79
	102,809	115,660
Due within one year	34	8,059
Due after more than one year	102,775	107,601
	102,809	115,660

	2020 £'000	2019 £'000
Company		
Bank loan	-	109,667
Fixed rate bond	92,529	-
	92,529	109,667
Due within one year	-	8,000
Due after more than one year	92,529	101,667
	92,529	109,667

Notes to the financial statements (continued)
Year ended 31 December 2020

20. Borrowings (continued)

Analysis of borrowings and repayments:

Bank loans	**2020 £'000**	**2019 £'000**
Group and Company		
Bank loan facility	-	111,057
Less: unamortised issue costs	-	(1,390)
	-	109,667
Due within one year (note 18)	-	8,000
Due after more than one year (note 19)	-	101,667
	-	109,667
Analysis of repayments due:		
Within one year	-	8,000
Between one and two years	-	103,057
Between two and five years	-	-
After more than five years	-	-
Less: unamortised issue costs	-	(1,390)
	-	109,667

The group bank loans that were secured on 24 December 2012 were repaid in full in December 2020.

The group bank loans were secured by a standard security over any fixed assets and cash balances of certain group companies and a floating charge over the whole of the assets of the certain group companies.

As at 31 December 2020 the group has an unutilised super senior revolving credit facility available of £15m.

Notes to the financial statements (continued)
Year ended 31 December 2020

20. Borrowings (continued)

Analysis of borrowings and repayments:

Fixed rate b onds	**2020 £'000**	**2019 £'000**
Group and Company		
Fixed rate bonds	98,841	-
Less: unamortised issue costs	(6,312)	-
	92,529	-
Due within one year (note 18)	-	-
Due after more than one year (note 19)	92,529	-
	92,529	-
Analysis of repayments due:		
Within one year	-	-
Between one and two years	-	-
Between two and five years	98,841	-
After more than five years	-	-
Less: unamortised issue costs	(6,312)	-
	92,529	-

The Group issued EUR 110,000,000 Fixed Rate Bonds with a fixed coupon rate of 10.5% in December 2020. The final maturity date is December 2024.

Debt issue costs incurred for the bond facility are being amortised over the period of the borrowings.

The fixed rate bonds are secured by a standard security over any fixed assets and cash balances of certain group companies and a floating charge over the whole of the assets of certain group companies.

20. Borrowings (continued)

Loan notes
Group

Analysis of loan notes and redemption term:

	2020 £'000	**2019 £'000**
Loan note (interest rate 5.00% pa) (note 27)	10,212	5,914
	10,212	5,914
Analysis of repayments due:		
Within one year	-	-
Between one and two years	-	-
Between two and five years	-	-
After more than five years	10,212	5,914
	10,212	5,914

In December 2017 the Group issued a Loan note to the value of DKK 48,016,578, a further DKK 3,841,328 was issued in November 2018, DKK 90,506 in April 2019 and DKK 32,617,813 and in 2020. Interest of 5% per annum is due on 31 December each year. The Loan note is redeemable in full in December 2030.

The December 2017 Loan note was issued as at the time of the Group's acquisition of Alpha Offshore Service A/S. The proceeds from the loan note were used by Sparrows Denmark ApS, a subsidiary entity, as part of the total consideration for the Alpha acquisition.

20. Borrowings (continued)

Finance leases

Group

	2020 £'000	2019 £'000
Not later than one year	34	59
Due between two to five years	41	26
Total gross payments	75	85
Less: finance charges	(7)	(6)
Carrying amount of liability	68	79

The finance leases relate to Plant and Machinery.

21. Derivative Financial Instruments

The Group has the following financial instruments:

	2020 £'000	2019 £'000
INR Exchange rate forward	-	(1)
USD Exchange rate forward	-	49
	-	48

The fair value of the exchange rate forward contract as at 31 December 2020 was nil (2019: £48,000)

22. Called up share capital

	2020 £'000	2019 £'000
Called up, allotted and fully paid		
24,403k (2019:24,403k) Ordinary shares of £1 each	24,403	24,403

Notes to the financial statements (continued)
Year ended 31 December 2020

23. Reserves

Group

	Profit and loss account £'000	Share premium account £'000
At 1 January 2019	(123,912)	24,403
Loss attributable to owners	(10,479)	-
Exchange gain arising on translation of foreign branches and subsidiaries	7,196	-
Less: Exchange gain arising on translation of minority interest in foreign branches and subsidiaries	(172)	-
At 31 December 2019	(127,367)	24,403
At 1 January 2020	(127,367)	24,403
Loss attributable to owners	(16,447)	-
Exchange gain arising on translation of foreign branches and subsidiaries	3,364	-
Less: Exchange loss arising on translation of minority interest in foreign branches and subsidiaries	186	-
At 31 December 2020	(140,264)	24,403

Company	Profit and loss account £'000	Share premium £'000
At 1 January 2019	(36,817)	24,403
Loss for the financial year	(3,470)	-
At 31 December 2019	(40,287)	24,403
At 1 January 2020	(40,287)	24,403
Loss for the financial year	(3,020)	-
At 31 December 2020	(43,307)	24,403

24. Notes to the group cash flow statement

	2020 £'000	2019 £'000
Loss for the financial year	(16,087)	(10,148)
Adjustments for:		
Tax on loss	116	(4,399)
Net interest expense	21,584	25,045
Share of profit in joint ventures	(266)	(154)
Operating Profit	5,347	10,344
Amortisation of intangible assets	8,266	8,281
Depreciation on tangible assets	3,628	3,780
Proceeds from disposal of tangible assets	-	(18)
Decrease in inventories	549	1,651
Decrease/(increase) in debtors	5,406	(7,660)
(Decrease)/increase in creditors	(5,310)	968
Foreign exchange on translation on profit & loss account	896	1,679
Cash flow from operating activities	18,782	19,025

Analysis of changes in net debt

	1 January 2020 £'000	Cash flows £'000	Other non-cash movements £'000	Exchange movement £'000	31 December 2020 £'000
Cash at bank and in hand	25,301	(6,071)	-	(54)	19,176
Cash and cash equivalents	25,301	(6,071)	-	(54)	19,176
Borrowings					
Bank borrowings	(111,057)	108,562	-	2,495	-
Bond borrowings	-	(98,841)	-	-	(98,841)
Non-controlling interest loan notes	(5,914)	(3,885)	-	(413)	(10,212)
Debt issue costs	1,390	3,693	1,229	-	6,312
Finance lease and hire purchase obligations	(79)	11	-	-	(68)
Total borrowings (note 20)	(115,660)	9,540	1,229	2,082	(102,809)
Borrowings due within one year	(8,059)	8,011	14	-	(34)
Borrowings due after more than one year	(107,601)	1,529	1,215	2,082	(102,775)
	(115,660)	9,540	1,229	2,082	(102,809)
Net debt	(90,359)	3,469	1,229	2,028	(83,633)

24. Notes to the cash flow statement (continued)

Other non-cash movements includes amortisation of debt issue costs in the year of £1,429k (2019: £793k) and accrued debt issue costs of £2,619k.

25. Contingent liabilities

The Group is involved in various contractual relationships as part of its ordinary course of business which make provision for claims and warranties. Management is unable to predict the ultimate outcome of these actions because of their inherent uncertainty. However, management believes that the most probable, ultimate resolution of these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

26. Operating lease commitments

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

	2020 **£'000**	**2019** **£'000**
Payments due		
Not later than one year	2,535	2,602
Later than one year and not later than five years	5,002	6,006
Later than five years	2,700	3,735
	10,237	12,343

27. Related party balances

At 31 December Lund Family Holding ApS, which holds a non-controlling interest in the Hawk Debtco Group subsidiary Sparrows Denmark ApS, held the following shareholder loan notes (inclusive of accrued interest):

	2020 **£'000**	**2019** **£'000**
Shareholder loan notes (interest rate 5.00% pa)	10,212	5,914
Accrued interest – Shareholder loan notes	1,080	586
	11,292	6,500

The terms of the shareholder loan notes are detailed in note 20.

Transactions with subsidiaries
During the year the Group recharged £1.2m (2019: £1.2m) of expenses incurred on behalf of Alpha Offshore Service A/S, a 67.56% owned subsidiary, and Sparrows Saudi Arabia LLC an 80% owned subsidiary in relation to recharge of goods and services. The transactions were at arm's length. At the 31 December 2020 £1.3m (2019: £0.4m) was outstanding. The receivable is unsecured, no guarantees have been received and is due within 30 days. During the year Sparrows Offshore Services Limited received £6.6m dividends from Sparrows Denmark ApS.

27. Related party balances (continued)

Pensions

The Group operates defined contribution pension schemes for eligible employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs charged in the year amounted to £2.2m (2019: £2.4m). At 31 December 2020, other creditors included £0.2m (2019: £0.2m) of contributions payable to the funds.

The Company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

28. Ultimate parent undertaking and controlling party

The immediate parent undertaking is Hawk Noteco Limited. The ultimate parent undertaking is Hawk Caledonia LP, a limited partnership incorporated in Scotland. The smallest and largest group to consolidate these financial statements is Sparrows Offshore Group Limited. Copies of the Sparrows Offshore Group Limited consolidated financial statements can be obtained from the Company Secretary at 13 Queens Road, Aberdeen, AB15 4YL.

The ultimate controlling party is Hawk Caledonia LP.

29. Non-controlling interests

Group

The movement in non-controlling interests was as follows:

	2020 **£'000**	**2019** **£'000**
At 1 January	4,912	4,388
Comprehensive income attributable to non-controlling interests	360	352
Dividends paid to non-controlling interests	(3,158)	-
Exchange (loss)/gain	(186)	172
At 31 December	1,928	4,912

The issue of non-controlling interest in share capital of Sparrows Denmark ApS occurred on 31 December 2017, concurrent with the acquisition of Alpha Offshore Service A/S. Upon issuing share capital in Sparrows Denmark ApS the Group's controlling interest changed from 100% to 67.56%. The non-controlling interest in share capital of Sparrows Saudi Arabia LLC is 20%.