Registration number: 00786418

Costain Oil, Gas & Process Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Costain Oil, Gas & Process Limited

Contents

Costain Oil, Gas & Process Limited

Company Information

Directors	A J Vaughan
	M D Hunter
	D R Taylor
Company secretary	S Harris
Registered office	Costain House Vanwall Business Park Maidenhead Berkshire SL6 4UB
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

Costain Oil, Gas & Process Limited

Strategic Report for the Year Ended 31 December 2020

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

Fair review of the business
Revenue for the year was £4,535,553 (2019: £96,831,785).

Operating loss was £53,701,945 (2019: operating loss £2,373,271).

The reduced revenue and the operating loss were mostly attributable to the Peterborough & Huntingdon contract as explained below.

Loss before tax was £54,318,301 (2019: loss before tax £2,381,724).

Total shareholders' funds decreased in the year to a deficit of £18,121,926 (2019: decreased to funds of £25,798,304).

On 29 June 2020, Costain announced that a termination and settlement agreement (the "Agreement") had been reached with National Grid to cease work on the Peterborough & Huntingdon gas compressor project (the "Contract") following a significant change in scope. The Agreement includes a legal process, through adjudications, to agree up to £80.0 million of identified compensation events, recover costs to date and eliminate a potential liability to National Grid for completing the works.

The company has recorded an adjustment to revenue of £42,000,000 and a charge to the income statement of £49,300,000 based on the cash position at termination. The legal process is ongoing and all adjudications will be filed by December 2021. Supported by external advice, the company believes it has a strong entitlement to retain, as a minimum, the reported position, with no further cash outflow.

Under the terms of the Agreement, the cumulative outcome for the company of these adjudications could range from an additional cash receipt of up to a maximum of £50,000,000 to a cash payment of up to a maximum of £57,300,000. Any such cash adjustments would be made in the first quarter of 2022.

Operational review

In 2020, we secured leading roles in the future decarbonisation of the UK through three carbon capture and storage cluster schemes, as well as delivering a number of firsts in the UK decarbonisation space; first trial of hydrogen into regional distribution network; first in network gas compression for Biogas; first carbon capture scheme; and first microgrid and resilience as a service project for Scottish and Southern Electricity Networks. We continued our important roles in both the South Wales and Scotland industrial clusters and demonstrated the feasibility of the concept of hydrogen 'deblending' for a first of its kind programme that brings together all the gas distribution networks to collaboratively develop innovative hydrogen solutions that will decarbonise energy for heat, transport, industry and power generation.

While the pace of the UK transitioning to a decarbonised energy network is slower than expected, we have secured key positions which allow us to continue to support our clients today, while working with them to shape and deliver the energy networks of the future. In December 2020, the UK Government published its Energy White Paper, which it estimates will stimulate a further £42 billion in private investment by 2030 across energy, buildings, transport, innovation and the natural environment. In addition, Ofgem has confirmed its major investment programme into Britain's energy infrastructure from 20201-26 (RIIO-2) with £30 billion upfront funding to deliver a clean and reliable energy system with £10bn on standby for future green energy projects.

Consequently, we continue to drive the transformation of our energy business with a renewed market focus on expanding our consultancy services in decarbonisation and maximising existing asset performance to be able to benefit from the increasing opportunities in this area of the energy market.

We are collaborating to develop an advanced modular reactor (AMR) which is being funded as part of the Energy and Industrial Strategy's Energy Innovation Portfolio.

Improving national infrastructure by:
• decarbonising energy through innovative hydrogen and decarbonisation solutions
• enabling cost effective and large-scale capture, transport and storage of CO_2
• reducing capital expenditure and environmental impact of gas infrastructure
• improving security of supply of remote networks
• assuring delivery certainty for major asset optimisation and capital programmes
• enhancing energy efficiency of industrial processes and oil and gas infrastructure.

Long-term investment plans are shaping the increased investment in the UK's strategic infrastructure to meet key national priorities. To meet and benefit from these key infrastructure priorities for the UK, Costain has positioned itself as one of the UK's leading smart infrastructure solutions companies operating across the transportation, water, energy and defence markets supporting the delivery, enhancement and operation of the UK's critical infrastructure.

These markets have significant long term investment programmes underwritten by UK Government policy, regulation, legislation and critical national need. They are evolving rapidly and positioned for accelerated growth responding to population increases, climate change, customers' enhanced expectations of improved service, ageing assets and the need for greater efficiency and performance including a growing adoption of technology. All are resulting in Costain's clients changing their business strategies and investment priorities.

UK Government investment
UK Government has set out the critical role of new and modernised infrastructure in supporting the levelling up of a growing and globally competitive economy, and in decarbonising our environment.

National Infrastructure Strategy
In response to the National Infrastructure Commission's Infrastructure Assessment, the UK Government published its National Infrastructure Strategy in November 2020, committing to the investment of £27bn in economic infrastructure in 2021-22.

Energy White Paper and the Ten Point Plan
In December 2020, the UK Government published its Energy White Paper which provides further clarity around the Prime Minister's £12bn Ten Point Plan and introduces a strategy to achieve it.

Regulated investment
In addition to UK Government's commitments, the scale of private sector investment in infrastructure is also increasing:
• in the water market, the regulator Ofwat has approved investment programmes for the water companies amounting to £51bn over the next five years to improve water quality standards, supply resilience, decarbonisation and efficiency of operations; and
• in Energy, UK Government estimates its Ten Point Plan will stimulate a further £42bn in private investment by 2030 across energy, buildings, transport, innovation and the natural environment. In addition, Ofgem has confirmed its major investment programme into Britain's energy infrastructure from 20201-26 (RIIO-2) with £30bn upfront funding to deliver a clean and reliable energy system with £10bn on standby for future green energy projects.

Impact of Covid-19
Since the onset of COVID-19 our priority has been to ensure the safety and wellbeing of our people, clients and the communities in which we operate. We have protected our business while continuing to work on critical national infrastructure programmes.

The Group's contracts continue to operate productively through the COVID-19 pandemic with enhanced safety measures on construction sites and colleagues working remotely. Our offices have remained closed for the majority of the year. However, when national guidelines have allowed, we have been pleased to welcome colleagues unable to work remotely or who were experiencing wellbeing issues back into our offices under COVID-19-safe conditions.

We remain alert to the continuing challenges that the ongoing pandemic is placing on our people's safety and wellbeing and on our operations.

Safeguarding our workforce and supporting our stakeholders
Doing the right thing by our people, our clients, society and protecting our business have guided our decision making during COVID-19. Our Executive COVID-19 task force was formed to direct our response, supported by our COVID-19 steering group. These have been pivotal in leading our successful response to the pandemic and in enabling us to continue to deliver services for critical national infrastructure programmes. These continue to operate.

Engaging with our stakeholders
The paragraphs below show how the directors have performed their duty under Section 172 Companies Act 2006 to have regard to various stakeholder factors. The Costain Group tries to have consistent policies in effect across its operating subsidiaries as and where relevant.

Employees
In 2019, we focused on three key methods of engagement: staff roadshows, monthly leadership briefings and site visits and continued the biannual leadership impact days, which require directors and senior leaders to visit every live project for a half-day shutdown to discuss a key industry theme. This year's themes were "this year I would like to do more of...", which focused on different ways of working to achieve personal goals, and decarbonisation. We extended our employee networks and launched our new religion, ethnicity and cultural heritage networks part of our inclusion strategy.

Shareholders
The company is a wholly owned subsidiary of Costain Group PLC and the directors have regular reviews with directors of the parent regarding performance of the company.

Clients
We obtain regular feedback from our clients to ensure that we are consistently delivering high performance standards and hosted numerous site visits, inviting our clients to attend project stand down days. We also attended client events and meetings and have representatives on numerous forums and boards. We conducted a materiality assessment with clients and stakeholders to help us to align our sustainability priorities.

Supply chain
We have a dedicated management team responsible for supply chain relationships and continued investing in these relationships in 2020, including holding regular business-to-business meetings to enhance our collaborative relationships. Supplier performance reviews are completed quarterly on all contracts for all strategic and preferred supply chain partners. Our supply chain academy continues to offer best practice guidance across a range of topics to our supply chain partners.

Communities and Environment
All contracts have an appointed community relations representative, with many having a dedicated engagement specialist. We use social media and provide public hotlines. We are a partner of the Considerate Constructors scheme and our projects sign up to their code of practice, ensuring we maintain exceptional standards of community engagement. Many projects have visitor centres allowing the community to meet with the site team. We want to make a positive contribution to our local communities and create partnerships with external organisations to help maximise our impact. In 2020, we worked with The Prince's Trust, Centrepoint, STEM Learning, Career Ready, Samaritans and The Wildlife Trust.

Principal risks and uncertainties

The principal risks and uncertainties facing the ultimate parent company, Costain Group PLC, and its ability to achieve its strategic objectives are set out below.

Title	What is the Risk?
Failure to prevent and effectively manage a major accident, hazard, or incident.	Costain operates in natural, complex and hazardous environments. Failure to manage the inherent risk and hazards, including pandemics, may results in illness, loss of life or significant damage to the environment. Failure to manage this risk could result in reputational damage, loss of business and financial penalties.
Failure to accelerate the deployment of our higher margin services.	The effective implementation of Costain's Leading Edge strategy is critical to the Group's ability to accelerate the deployment of our higher margin services alongside our complex programme delivery. Failure to manage this risk could have an adverse effect on our business, operating results, and shareholder value.
Failure to maintain a strong balance sheet.	A strong balance sheet is a fundamental requirement to qualify for and support the contract sizes and duration required by our clients. Failure to manage this risk could affect our ability to achieve our business goals and our resilience to withstand economic downturns.
Failure to secure new work.	Costain's future growth and profitability is dependent on our ability to secure new work in our competitive marketplace. To be successful we need to maintain strong client relationships and broaden our service offering by delivering innovative solutions across complex delivery, digital and consulting activities.
Failure to attract and transform the skills, capabilities and competence of our resources	The successful implementation of our strategy is dependent on our ability to attract and retain talent, grow the capabilities and performance of our employees and maintain a high performing, ethical and caring culture where our team can be at their best.
Failure to deliver projects effectively.	Failure to enter into contracts that are aligned with our risk appetite or deliver projects to the agreed time, budget and quality could result in financial loss, regulatory and contractual breaches and loss of reputation with our clients and investors.
Failure to manage the legacy defined benefit pension scheme.	Failure to manage the legacy defined benefit pension scheme so that the liabilities are within a range appropriate to our capital base and do not adversely impact our balance sheet.
Failure to ensure that our technology is robust, our systems are secure and our data protected.	Our ability to enable safe, secure, and resilient business operations (including finding, winning, and delivering work supported by efficient corporate services) is dependent on the delivery of our core IT strategy. The delivery of this strategy is also key to our ability to safely and securely acquire, host, use, and dispose of Costain, client, and third party data.
Failure to anticipate and respond to changes in client circumstances.	We have seen changes in the business operations and investment priorities of our core clients and clients challenged by ever evolving policy, funding, operational and regulatory changes. Failure to anticipate the changes that are affecting our clients and respond effectively, could restrict our ability to grow margins and increase market share.

Approved by the Board on 29 April 2021 and signed by its order by:

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S Harris

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S Harris
Company secretary

Directors' Report for the Year Ended 31 December 2020

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

Directors of the company
The directors of the company who were in office during the year and up to the date of signing the financial statements were:

A J Vaughan

M D Hunter

D R Taylor (appointed 1 September 2020)

A O Bickerstaff (resigned 30 November 2020)

T A Wood (appointed 31 March 2020 and resigned 1 September 2020)

D G James (resigned 31 March 2020)

Dividends
The directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: £Nil).

Diversity
Apart from ensuring that an individual has the ability to carry out a particular role, the company does not discriminate in any way. The company endeavours to retain employees if they become disabled, making reasonable adjustments to their role and, if necessary, looking for redeployment opportunities within the company and Costain Group PLC. The company also ensures that training, career development and promotion opportunities are available to all employees irrespective of gender, race, age or disability.

Employee involvement
The Costain group provides information to its employees both of a general company nature and to encourage awareness of financial and economic factors, which affect the company in various ways. These include regular videos and updates from the Chief Executive and other senior managers, a Costain online news service, information via our electronic mail system, circulation of press releases, management briefings on company results, a report to employees on the annual financial statements of the Group and annual pension scheme reports. Participation and involvement are encouraged through regular management meetings with employees.

Future developments
The directors do not expect any significant changes to the principal activities of the company in the foreseeable future.

Objectives and policies

The Company's operations expose it to a variety of financial risks, including the effects of credit risk, liquidity risk, cash flow risk and interest rate risk. The policies to mitigate the potential impact of these financial risks are set by the directors, who monitor their effectiveness on a monthly basis.

Where appropriate, credit checks are made prior to the acceptance of a new customer and these are reviewed on a periodic basis together with ongoing checks in respect of existing customers. Reviews of the debtors ledger are carried out with the finance teams and action initiated, as appropriate, to collect any overdue amounts, thus optimising the company's liquidity position. The rates of interest earned or paid on the Group's cash balances and loans are monitored by the Costain Group's central Treasury team and projections of future cash requirements are reviewed by the directors and the treasury team. Deposits and loans are made with reference to these facilities, in conjunction with projections of future cash requirements.

The Costain Group actively maintains an appropriate level of cash reserves that are available for operations and planned expansions of the Group as a whole. The Group ensures that sufficient cash reserves are made available to its subsidiary undertakings.

Additional information on the Group's financial risk management can be found in the consolidated group financial statements of Costain Group PLC copies of which are publicly available.

Going concern

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2020, the directors are required to consider whether the company can continue in operational existence for the foreseeable future. The directors have concluded that after having received an undertaking from Costain Group PLC that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company, it is appropriate to adopt the going concern basis in preparing these financial statements.

Statement of directors' responsibilities

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 company will continue in business.

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

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

Disclosure of information to the auditors

The directors confirm that, so far as they are aware, there is no relevant audit information (as defined in Section 418 of the Companies Act 2006) of which the company's external auditors are unaware and that each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's external auditors are aware of that information.

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

Reappointment of independent auditors

The independent auditors PricewaterhouseCoopers LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 29 April 2021 and signed by its order by:

DocuSigned by:

S Harris

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S Harris

Company secretary

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Independent auditors' report to the members of Costain Oil, Gas & Process Limited

Report on the audit of the financial statements

Opinion

In our opinion, Costain Oil, Gas & Process Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Income Statement, the Statement of Comprehensive Income, the Statement 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to non-compliance with health and safety legislation, pension obligation, data protection legislation, anti-bribery and corruption legislation, environmental legislation, tax legislation and construction laws , 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 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 or reduce expenditure and management bias in accounting estimates.. Audit procedures performed included:

- Discussion with management, internal audit and the Group's in-house legal advisers, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of the financial statement disclosures to underlying supporting documentation;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to contract accounting; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Hook

Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
29 April 2021

Costain Oil, Gas & Process Limited

Income Statement
for the year ended 31 December

	Note	2020 £	2019 £
Revenue	5	4,535,553	96,831,785
Cost of sales		(53,287,448)	(92,843,216)
Gross (loss)/profit		(48,751,895)	3,988,569
Administrative expenses		(4,888,330)	(7,777,509)
Other operating (expense)/income	6	(61,720)	1,415,669
Operating loss	7	(53,701,945)	(2,373,271)
Finance income	11	100,000	69,685
Finance costs	12	(716,356)	(78,138)
Net finance costs		(616,356)	(8,453)
Loss before tax		(54,318,301)	(2,381,724)
Taxation	13	10,398,071	179,161
Loss for the financial year		(43,920,230)	(2,202,563)

The above results were derived from continuing operations.

The notes on pages 19 to 37 form an integral part of these financial statements.

Costain Oil, Gas & Process Limited

Statement of Comprehensive Income
for the year ended 31 December

	2020	2019
	£	£
Loss for the financial year	(43,920,230)	(2,202,563)
Total comprehensive expense for the year	(43,920,230)	(2,202,563)

The notes on pages 19 to 37 form an integral part of these financial statements.

Costain Oil, Gas & Process Limited

(Registration number: 00786418)

Statement of Financial Position

as at 31 December

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	14	321,438	331,808
Property, plant and equipment	15	133,139	1,001,738
		454,577	1,333,546
Current assets			
Trade and other receivables	17	16,967,036	39,818,553
Cash and cash equivalents	18	2,291,404	10,468,445
		19,258,440	50,286,998
Creditors - amounts falling due within one year	19	(17,798,596)	(25,561,045)
Net current assets		1,459,844	24,725,953
Total assets less current liabilities		1,914,421	26,059,499
Creditors - amounts falling due after more than one year	19	(20,036,347)	(261,195)
Net (liabilities)/assets		(18,121,926)	25,798,304
Equity			
Called up share capital	20	35,500,001	35,500,001
Share premium account		1,512,393	1,512,393
Retained earnings		(55,134,320)	(11,214,090)
Total shareholders' (deficit)/funds		(18,121,926)	25,798,304

The financial statements on pages 15 to 37 were approved by the Board of directors on 29 April 2021 and signed on its behalf by:

DocuSigned by:
M D Hunter
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M D Hunter

Director

Costain Oil, Gas & Process Limited

Statement of Changes in Equity
for the year ended 31 December

	Called up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 1 January 2020	35,500,001	1,512,393	(11,214,090)	25,798,304
Loss for the financial year	-	-	(43,920,230)	(43,920,230)
Total comprehensive expense	-	-	(43,920,230)	(43,920,230)
At 31 December 2020	35,500,001	1,512,393	(55,134,320)	(18,121,926)

	Called up share capital £	Share premium account £	Retained earnings £	Total shareholders' funds £
At 1 January 2019	35,500,001	1,512,393	(9,011,527)	28,000,867
Loss for the financial year	-	-	(2,202,563)	(2,202,563)
Total comprehensive expense	-	-	(2,202,563)	(2,202,563)
At 31 December 2019	35,500,001	1,512,393	(11,214,090)	25,798,304

The notes on pages 19 to 37 form an integral part of these financial statements.

1 General information

The company is a private company limited by share capital, incorporated in the United Kingdom and domiciled in England.

The address of its registered office is:
Costain House
Vanwall Business Park
Maidenhead
Berkshire
SL6 4UB
UK

These financial statements were authorised for issue by the Board on 29 April 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates
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. See note 21.

Basis of preparation
These financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company'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 3.

The company is a wholly-owned subsidiary of Costain Group PLC and is included in the consolidated financial statements of Costain Group PLC, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

Functional and presentation currency
Items included in the financial statements of the company are measured using the currency of the primary economic environment which the company operates. The financial statements are presented in 'pounds sterling' (£), which is also the company's functional currency.

2 Accounting policies (continued)

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

(a) The requirements of IAS 1 to provide a Balance Sheet at the beginning of the year in the event of a prior year adjustment;

(b) The requirements of IAS 1 to provide a Statement of Cash flows for the year;

(c) The requirements of IAS 1 to provide a statement of compliance with IFRS;

(d) The requirements of IAS 1 to disclose information on the management of capital;

(e) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to disclose new IFRS's that have been issued but are not yet effective;

(f) The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

(g) The requirements of paragraph 17 of IAS 24 Related Party Disclosures to disclose key management personnel compensation;

(h) The requirements of IFRS 7 to disclose financial instruments;

(i) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose information of fair value valuation techniques and inputs;

(j) IAS 7, 'Statement of Cash Flows';

(k) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
• paragraph 79(a)(iv) of IAS 1;
• paragraph 73(e) of IAS 16 Property, Plant and Equipment;
• paragraph 118(e) of IAS 38 Intangible Assets;
• paragraphs 76 and 79(d) of IAS 40 Investment Property;

(l) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;

(m) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and

(n) 'The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.'

Disclosure exemptions for subsidiaries are permitted where the relevant disclosure requirements are met in the consolidated financial statements. Where required, equivalent disclosures are given in the Group financial statements of Costain Group PLC.

2 Accounting policies (continued)

Going concern
The financial statements have been prepared on a going concern basis.

The ultimate parent company, Costain Group PLC, manages its United Kingdom cash balances using a centralised cash system and surplus cash held by the Company, outside of joint arrangements, is loaned at interest to a fellow subsidiary on a day-to-day basis. These loans are repaid or new loans advanced daily to satisfy any cash requirements.

In determining the appropriate basis of preparation of the financial statements for the year ended 31 December 2020, the directors are required to consider whether the company can continue in operational existence for the foreseeable future. The directors have concluded that after having received an undertaking from Costain Group PLC that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as they are needed by the Company, it is appropriate to adopt the going concern basis in preparing these financial statements.

New standards and changes in accounting policy
None of the standards, interpretations and amendments effective for the first time from 1 January 2020 have had a material effect on the financial statements. These include:

- Definition of Material - amendments to IAS 1 and IAS 8;
- Definition of a Business - amendments to IFRS 3;
- Interest Rate Benchmark Reform - amendments to IFRS 9, IAS 39 and IFRS 7;
- Revised Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the amounts recognised in prior periods and do not affect the current or future periods.

Revenue recognition

Recognition

The Company recognises revenue when performance obligations have been satisfied and for the Company, this is when control over the service or product is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable, net of value added tax. Where the consideration is variable, the amount recognised is highly probable not to suffer a significant reversal in future. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

Costain Oil, Gas & Process Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Long-term contracts
Revenue arises from the increase in the value of work performed and the value of services provided during the year. Where the outcome of an individual long-term contract can be estimated reliably and it is probable that the contract will be profitable, revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date. Stage of completion is assessed by reference to the proportion of contract costs incurred for the work performed to date relative to the estimated total costs. Contract costs are recognised as expenses in the period in which they are incurred.

Compensation events, variations and claims, gain from pain/gain arrangements and other bonus assessments are included in revenue where it is highly probable that the amount, which can be measured reliably, will be recovered from the customer and will not reverse. Pain from pain/gain arrangements is included where incurred or expected to be incurred. Revenue in respect of these items is determined on the most likely outcome method. When the outcome of a long-term contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred, where it is highly probable those costs will be recoverable and will not reverse.

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

Contract work in progress is stated at cost plus profit recognised to date less a provision for foreseeable losses and less amounts billed and is included in contract assets. Amounts valued and billed to customers are included in trade receivables. Where cash received from customers exceeds the value of work performed, the amount is included in contract liabilities.

Finance income and costs
Interest receivable and payable on bank deposits and between group undertakings is credited or charged to the profit and loss as incurred, using the effective interest method.

Research and development
Research and development activities are usually directly attributable to a project and accounted within project costs. The company applies the research and development expenditure credit (RDEC) regime as these credits have characteristics similar to government grants and recognises the credits in other operating income rather than reflecting them in the tax charge.

Foreign currency transactions and balances
Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at year-end exchange rates. Exchange differences on such items and on transactions completed in the ordinary course of business are dealt with in profit on ordinary activities, except when deferred in other comprehensive income as qualifying cashflow hedges. Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

Tax
The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that of a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

2 Accounting policies (continued)

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date.

Deferred tax is measured at the rates that are expected to apply in the periods when the timing differences are expected to reverse, based on the tax rates and law enacted at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Property, plant and equipment

Property, plant and equipment is stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets, other than land, over their estimated useful lives on a straight-line basis, as follows:

Asset class	**Depreciation method and rate**
Plant and equipment, fixtures and fittings	Straight Line - 10% to 50%

Investment property

Certain of the company's properties are held as investment properties for long-term rental yields.

Investment property is carried at fair value, derived from the current market prices for comparable real estate determined annually by external valuers. The valuers use observable market prices, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in the profit and loss account.

Intangible assets

Amortisation

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Amortisation begins when an asset is available for use and is calculated on a straight-line basis to allocate the cost of assets over their estimated useful lives as follows:

Asset class	**Amortisation method and rate**
Patents	Straight Line - 5%
Software	Straight Line - 20% to 33%

Investments

Fixed asset investments are stated at historical cost less any provisions for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are calculated such that the carrying value of the fixed asset investment is the lower of its cost or recoverable amount. Impairments are reversed in line with improvements in the recoverable amount of the investment.

2 Accounting policies (continued)

Trade receivables

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

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for intercompany balances. To measure the expected credit losses, intercompany balances have been grouped based on shared credit risk characteristics and the days past due.

Financial instruments

Initial recognition

Financial assets

The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. Where borrowings are the hedged item in an effective fair value hedge relationship, the carrying value is adjusted to reflect the fair value movements associated with the hedged risk.

Derecognition

Financial assets

A financial asset is derecognised only when the contractual rights to the cash flows from that asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities are derecognised only when the obligations are discharged, cancelled or expire.

Impairment of financial assets

Impairment of financial assets is based on an expected credit loss model applying the simplified approach permitted under IFRS 9. The company calculates an allowance for credit losses based on the nature of the customer, experience of collecting receivables from similar customers and modelling default scenarios and applying probabilities of such scenarios.

To measure the expected credit losses, trade debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

2 Accounting policies (continued)

The contract assets relate to unbilled work in progress and have substantially the same credit risk characteristics as the trade debtors for the same types of contracts. The Group has concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

The loss rates will be adjusted to reflect current and forward-looking information on macroeconomic factors that might affect the ability of the customers to settle the receivables.

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, primarily forwards in the foreign exchange markets.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

Hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets and liabilities.

The company designates certain derivatives held for risk management as well as certain non-derivative financial instruments as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the company formally documents the relationship between the hedging instruments and hedge items.

These hedging relationships are discussed below.

Cash flow hedges

The company makes an assessment for a cash flow hedge of a forecast transaction, of whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, then the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits.

2 Accounting policies (continued)

Trade creditors
Trade creditors are obligations to pay for goods or services that 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Share capital
Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

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

Defined contribution pension obligation
The Company participates, on a defined contributions basis, in several pension schemes for the benefit of its own and seconded employees. The assets of the schemes are held separately from those of the Company in independently administered funds.

The cost of pensions, in respect of the pension schemes in which the Company participates, is charged to the profit and loss account and is equal to the contributions payable in the accounting period.

2 Accounting policies (continued)

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

The most critical accounting policies and significant areas of estimation and judgement arise from the accounting for long-term contracts under IFRS 15 'Revenue from Contracts with Customers', the carrying value of goodwill and acquired intangible assets, the assumptions used in the accounting for defined benefit pension schemes under IAS 19 'Employee benefits', the recognition of deferred tax assets in relation to tax losses and the items classified as other items and contract adjustments.

Deferred tax
Included in deferred tax assets is an asset for tax losses recorded in the year. The asset is recognised on the basis that the losses will be used against future taxable profits of the Group over the next six years.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Long-term contracts
The majority of the Group's activities are undertaken via long-term contracts and IFRS 15 requires the identification and separation of individual, distinct performance obligations, which are then accounted individually. The most common type of contracts undertaken by the Group with multiple performance obligations are framework contracts. In most cases, the obligations are satisfied over time and estimates are made of the total contract costs and revenues. In many cases, these obligations span more than one financial period. Both cost and revenue forecasts may be affected by a number of uncertainties that depend on the outcome of future events and may need to be revised as events unfold and uncertainties are resolved. Cost forecasts take into account the expectations of work to be undertaken on the contract. Revenue forecasts take into account compensation events, variations and claims and assessments of the impact of pain/gain arrangements to the extent that the amounts the Group expects to recover or incur can be reliably estimated and are highly probable not to reverse based on most likely outcome.

Management bases its estimates of costs and revenues and its assessment of the expected outcome of each long-term contractual obligation on the latest available information, this includes detailed contract valuations, progress on discussions over compensation events, variations and claims with customers, progress against the latest programme for completing the works, forecasts of the costs to complete and, in certain limited cases, assessments of recoveries from insurers where virtually certain. Revenue is recognised to the extent that amounts forecast from compensation events, variations and claims are agreed or considered in management's judgement highly probable to be agreed.

During the course of the contract, there is often significant change to the scope of the works and this has an impact on the programme and costs on the contract. The amount of resulting compensation events can be substantial and at any time these are often not fully agreed with the customer due to the timing and requirements of the contractual process. Also many will relate to work yet to be undertaken or completed. Therefore, assessments are based on an estimate of the potential cost impact of the compensation events.

The estimates of the contract position and the profit or loss earned to date are updated regularly and significant changes are highlighted through established internal review procedures. The impact of any change in the accounting estimates both positive and negative is then reflected in the financial statements.

Management believes it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year could require material adjustment. Given the pervasive impact of judgements and estimates on revenue, cost of sales and related balance sheet amounts, it is difficult to quantify the impact of taking alternative assessments on each of the judgements above.

On 29 June 2020, the company announced that a termination and settlement agreement (the "Agreement") had been reached with National Grid to cease work on the Peterborough & Huntingdon gas compressor project (the "Contract") following a significant change in scope. The Agreement includes a legal process, through adjudications, to agree up to £80.0 million of identified compensation events, recover costs to date and eliminate a potential liability to National Grid for completing the works.

In its interim results for the six months ended 30 June 2020, the company recorded a charge to the income statement of £49.3 million reflecting the cash position at termination. The legal process is ongoing and all adjudications will be filed by December 2021. Supported by external advice, the company believes it has a strong entitlement to retain, as a minimum, the reported position, with no further cash outflow.

4 Reconciliation of reported operating loss to Adjusted operating loss

Adjusted operating profit is being used as non-GAAP performance measurements. Adjusted operating profit excludes the impact of significant one-off changes in the accounting treatments of the Peterborough & Huntingdon contract, as described below. The Board considers the adjusted measures better reflect the underlying trading performance of the company.

The Peterborough & Huntingdon contract charge followed the agreement with National Grid to mutually terminate the contract in June 2020. The position is described further in Significant areas of judgement and estimation in note 3.

At the date of termination, the company had a contract asset of £42.0 million associated with this contract and this was forecast to increase to £49.3 million at the end of the works. Reflecting the commercial resolution process incorporated in the termination agreement and in accordance with IFRS 15, a one-off charge to the income statement of £49.3 million was reflected to adjust the revenue recognised to the level of cash received and to cover the cost of remaining works. 2020 adjusted revenue includes £32.3 million of revenue on Peterborough & Huntingdon up to the termination date.

Year to 31 December 2020	**Adjusted**	**Peterborough & Huntingdon**	**Total**
Revenue before contract adjustments	**46,535,553**	**-**	**46,535,553**
Contract adjustments	**-**	**(42,000,000)**	**(42,000,000)**
Company revenue	**46,535,553**	**(42,000,000)**	**4,535,553**
Cost of sales	(46,049,168)	(7,300,000)	(53,349,168)
Gross profit/(loss)	**486,385**	**(49,300,000)**	**(48,813,615)**
Admin expenses	(4,888,330)	**-**	(4,888,330)
Operating loss	**(4,401,945)**	**(49,300,000)**	**(53,701,945)**
Net finance expense	(616,356)	**-**	(616,356)
Loss before tax	**(5,018,301)**	**(49,300,000)**	**(54,318,301)**
Taxation	1,031,071	9,367,000	10,398,071
Loss for the financial year	**(3,987,230)**	**(39,933,000)**	**(43,920,230)**

2019 reported operating loss is the same as Adjusted operating loss

Costain Oil, Gas & Process Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

5 Revenue

The whole of the revenue is attributable to the principal activity of the business.

All revenue arose within the UK.

6 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £	2019 £
RDEC grant income	(61,720)	1,415,669

Research and development cost (RDEC) expense/(income) includes £361,720 expense relating to the prior year (2019: £515,669 income).

7 Operating (loss)/profit

Operating loss is stated after charging/(crediting):

	2020 £	2019 £
Depreciation of owned property plant and equipment	76,016	81,248
Depreciation of leased property, plant and equipment	71,000	860,811
Amortisation of other intangible assets	44,788	254,672
Foreign exchange losses /(gains)	6,400	(117)
Profit on disposal of property, plant and equipment	(97,550)	(5,620)
Provision against amount owed by a group undertaking	-	1,552,964

Other items
2019 operating loss includes a provision of £1,552,964 against the amount owed by a fellow group subsidiary Costain Abu Dhabi CO WLL.

8 Auditors' remuneration

	2020 £	2019 £
Audit of the financial statements	207,346	131,412

There are no fees paid to PricewaterhouseCoopers LLP for other services other than the statutory audit of the company. The audit fee was borne by another group company.

9 Staff costs

The aggregate payroll costs, paid to a fellow subsidiary in relation to seconded staff were as follows:

	2020 £	2019 £
Wages and salaries	27,653,422	25,193,976
Social security costs	2,971,988	2,751,930
Other pension costs	5,320,566	4,605,248
	35,945,976	32,551,154

The average number of persons seconded to the company from a fellow group subsidiary during the year, analysed by category was as follows:

	2020 No.	2019 No.
Production	174	142
Administration and support	55	45
	229	187

10 Directors' remuneration

No emoluments were paid to directors of the company during the period (2019: £Nil).

11 Finance income

	2020 £	2019 £
Interest income from group undertakings	100,000	69,685

12 Finance costs

	2020 £	2019 £
Interest expense on lease liabilities	21,035	78,138
Interest expense payable to group undertakings	695,321	-
	716,356	78,138

13 Income tax

Tax credited in the income statement

	2020 £	2019 £
Current taxation		
UK corporation tax	(1,952,950)	(284,362)
UK corporation tax adjustment to prior periods	(51,831)	96,290
	(2,004,781)	(188,072)
Deferred taxation		
Arising from origination and reversal of temporary differences	(8,393,290)	11,298
Deferred tax adjustment relating to previous periods	-	(2,387)
Total deferred taxation	(8,393,290)	8,911
Tax credit in the income statement	(10,398,071)	(179,161)

The tax on loss before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Loss before tax	(54,318,301)	(2,381,724)
Corporation tax at standard rate	(10,320,477)	(452,528)
(Decrease)/increase in current tax from adjustment for prior periods	(51,831)	96,290
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	6,304	299,670
Decrease in current tax from unrecognised temporary difference from a prior period	-	(2,387)
Deferred tax credit relating to changes in tax rates or laws	(32,067)	(1,329)
Decrease from effect of adjustment in research development tax credit	-	(118,877)
Total tax credit	(10,398,071)	(179,161)

Deferred tax assets at 31 December 2020 has been calculated based on the UK corporation tax rate of 19%. In the 3 March 2021 Budget it was announced that the statutory tax rate will increase to 25% in 2023. This will have a consequential effect on the company's future tax charge.

Costain Oil, Gas & Process Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

13 Income tax (continued)

Deferred tax

Deferred tax asset

The elements of the deferred taxation asset at 19.0% (2019: 19.0%) are as follows:

	2020 £	2019 £
Accelerated tax depreciation	8,665,855	272,565
Other timing differences	-	-
	8,655,855	272,565

The movement in the deferred taxation was as follows:

	2020 £	2019 £
Asset at the beginning of the year	272,565	281,476
Amount charged to the profit and loss account	8,393,290	(11,298)
Adjustment in respect of prior year	-	2,387
Asset at end of year	8,665,855	272,565

14 Intangible assets

	Patents £	Computer software £	Total £
Cost			
At 1 January 2020	412,951	1,235,535	1,648,486
Additions	34,418	-	34,418
At 31 December 2020	447,369	1,235,535	1,682,904
Accumulated amortisation			
At 1 January 2020	104,672	1,212,006	1,316,678
Charge for the year	21,260	23,528	44,788
At 31 December 2020	125,932	1,235,534	1,361,466
Carrying amount			
At 31 December 2020	321,437	1	321,438
At 31 December 2019	308,279	23,529	331,808

Costain Oil, Gas & Process Limited

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

15 Property, plant and equipment

	Owned plant and machinery £	Right-of-use plant and machinery £	Total £
Cost			
At 1 January 2020	553,556	1,504,577	2,058,133
Additions	92,569	-	92,569
Disposals	-	(1,504,577)	(1,504,577)
At 31 December 2020	646,125	-	646,125
Depreciation			
At 1 January 2020	436,970	619,425	1,056,395
Charge for the year	76,016	71,000	147,016
Eliminated on disposals	-	(690,425)	(690,425)
At 31 December 2020	512,986	-	512,986
Carrying amount			
At 31 December 2020	133,139	-	133,139
At 31 December 2019	116,586	885,152	1,001,738

16 Investments

Subsidiaries	£
Cost	
At 1 January 2019	8,512,393
At 31 December 2019	8,512,393
At 1 January 2020	8,512,393
At 31 December 2020	8,512,393
Provision for impairment	
At 1 January 2019	8,512,393
At 31 December 2019	8,512,393
At 1 January 2020	8,512,393
At 31 December 2020	8,512,393
Carrying amount	
At 31 December 2020	-
At 31 December 2019	-

16 Investments (continued)

Subsidiaries	**£**
At 1 January 2019	-

Details of the subsidiaries as at 31 December 2020 and 31 December 2019 are as follows.

Name of subsidiary	**Principal activity**	**Registered office**	**Holding**	**Proportion of ownership interest and voting rights held 2020**	**2019**
Costain Oil, Gas & Process (Overseas) Limited	Dormant	Costain House, Vanwall Business Park, Maidenhead, Berkshire SL6 4UB UK	Ordinary shares	100%	100%

17 Trade and other receivables

	31 December 2020 £	31 December 2019 £
Trade receivables	2,569,569	3,378,076
Amounts owed by group undertakings	1,060,813	20,237,221
Contract assets	-	12,374,028
Other receivables	1,326,138	2,534,499
Prepayments	1,275,550	682,267
Income tax receivable	55,535	55,535
Group relief receivable	2,013,576	284,362
Deferred tax assets	8,665,855	272,565
	16,967,036	39,818,553

Amounts receivable from other group undertakings is unsecured, repayable on demand but accrues interest at a rate of 0%-0.5%.

Due to the short-term nature of the current debtors, their carrying amount is considered to be the same as their fair value.

Details of non-current trade and other debtors
£Nil (2020 -£Nil) of deferred tax assets is classified as non-current.

18 Cash and cash equivalents

	31 December 2020 £	31 December 2019 £
Cash at bank	2,291,404	10,468,445

The Company's bankers have the right to set off the company's principal bank balances when in credit against any overdraft borrowings by, a fellow subsidiary of the Costain group, Richard Costain Limited. In addition, one of the arrangements requires that certain cash balances, whether in credit or debit, are swept to/from Richard Costain Limited on a daily basis; such arrangements are commonplace in large groups and facilitate effective cash management. The company's cash balance is replaced with an inter-company receivable/payable from/to Richard Costain Limited.

The sweeping of the company's cash balance is used to offset the company's inter-company payable to Richard Costain Limited of £11,762,042 at 31 December 2020 (31 December 2019: £377,780).

19 Creditors

Amounts falling due within one year

	31 December 2020 £	31 December 2019 £
Creditors	3,322,205	19,990,986
Accrued expenses	1,111,221	1,959,795
Amounts owed to group undertakings	12,762,042	2,694,657
Contract liabilities	201,523	-
Other creditors	401,605	225,727
Lease liabilities	-	689,880
	17,798,596	25,561,045

Amounts payable to other group undertakings is unsecured, repayable on demand and do not accrue interest.

Amounts falling due after more than one year

	31 December 2020 £	31 December 2019 £
Amounts owed to group undertakings	20,036,347	36,347
Lease liabilities	-	224,848
	20,036,347	261,195

20 Called up share capital

Allotted, called up and fully paid shares

	31 December 2020 No.	31 December 2020 £	31 December 2019 No.	31 December 2019 £
Ordinary shares of £0.01 each	3,550,000,100	35,500,001	3,550,000,100	35,500,001

21 Reserves

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

22 Contingent liabilities

The company has entered into cross guarantees together with the ultimate parent company and certain fellow Group undertakings for borrowing facilities made available to the Group. At 31 December 2020, these liabilities amounted to £48,000,000 (2019: £116,000,000).

These are also contingent liabilities in respect of guarantees of performance bonds and other undertakings entered into in the ordinary course of business by fellow Group undertakings.

23 Parent and ultimate parent undertaking

The company's immediate parent is Costain Engineering & Construction Limited.

The ultimate parent is Costain Group PLC.

The parent of the largest and smallest group producing publicly available financial statements in which these financial statements are consolidated is Costain Group PLC. These financial statements are available upon request from Costain House, Vanwall Business Park, Maidenhead, Berkshire, SL6 4UB.

The ultimate controlling party is Costain Group PLC.