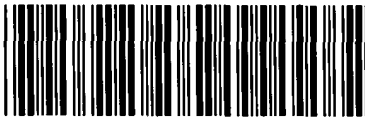


Petrofac Engineering Limited

Report and Financial Statements

31 December 2017

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EDINBURGH MAILBOX

Registered No: 02615887

Directors

U Darr
R McKnight
D Stephen

Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Bankers

Royal Bank of Scotland plc
Queens Cross Branch
40 Albyn Place
Aberdeen
AB10 1YN

Solicitors

Charles Russell & Co
Buryfields House
Bury Fields
Guildford
Surrey
GU2 4AZ

Registered office

Brook House
88-100 Chertsey Road
Woking
Surrey
GU21 5BJ

Petrofac Engineering Limited

Registered No: 02615887

Strategic report

The directors present their strategic report for the year ended 31 December 2017.

Principal activities and review of the business

Petrofac Engineering Limited (the Company) provides field development engineering for the oil and gas industry, including consultancy, studies, conceptual engineering, front end engineering and design (FEED), detailed design, procurement support, risk, safety and environmental services.

On 27th February 2016, the majority of the trade and assets of Petrofac Engineering Limited with a value of £34,500,467 were transferred to Petrofac Facilities Management Limited.

The company's key financial and other performance indicators during the year were as follows:

	2017 £000	2016 £000	Change %
Turnover	923	19,753	(95%)
Operating (loss)/profit	(555)	3,234	(117%)
(Loss)/Profit for the financial year	(1,117)	2,228	(150%)
Shareholder's equity	34,019	35,121	(3%)
Current assets as a percentage of current liabilities	13.82	6.93	
Average number of employees	2	39	

In 2018, the Company continued to support fellow subsidiary undertakings with sub-contracted work. Many contracts were transferred to Petrofac Facilities Management Limited in 2016, however a small number of contracts were retained, predominantly in the branches of Petrofac Engineering Limited.

Principal risks and uncertainties

The company's key risks and uncertainties are described below. This list does not purport to be exhaustive. Additional risks and uncertainties not presently known to the company, or that the company currently deems to be immaterial, may also impact on the performance of the business.

- Health and Safety

The company conducts its operations within a strict health and safety regime. Failure to comply with the relevant regulations could adversely affect its reputation and future revenues. The culture of health and safety within the company is a key element of its operational and business activities. Effective health and safety management is vital to the system of business management and is integral to the delivery of quality and business excellence.

- Financial risk

The Company operates in a competitive market and is subject to the pressure of oil price movements. Projects are typically shorter than one year and, where this is not the case, mechanisms are often introduced in contracts to allow for changes in prices during the course of projects. Additionally, as far as possible, the timing of cash generated from projects is matched to the cash spent on delivering those projects. Foreign currency projects are usually hedged to minimise the exchange movement risk if the project value is significant.

Strategic report (continued)

Principal risks and uncertainties (continued)

- Credit risk

The Company trades ideally with recognised, creditworthy third parties, and intercompany customers which are predominantly wholly owned subsidiaries of the Petrofac consolidated group. For external customers, management will evaluate the creditworthiness of each individual third party at the time of entering into new contracts, where possible, or seek an advance payment if credit risk is considered high. Limits have been placed on the approval authority of the various levels of management when entering into new contracts. Receivable balances are monitored on an ongoing basis with appropriate follow up action taken where necessary.

On behalf of the board



D Stephen
Director
27 September 2018

Petrofac Engineering Limited

Registered No: 2615887

Directors' report

The directors present their report and financial statements for the year ended 31 December 2017.

Results and dividends

The loss for the year, after taxation, amounted to £1,117,000 (2016 – profit of £2,228,000). The company has not paid a dividend in respect of the year ended 31 December 2017 (2016 - £nil).

Foreign branches

The Company has active branches in Italy, Korea, Mexico and United Arab Emirates. The branches did not migrate to Petrofac Facilities Management Limited on the 27th February 2016.

Future Developments

The directors remain committed to a strategy of providing engineering and management services to the onshore and offshore oil and gas industry, provided through the branches.

Directors

The directors who served the company during the year were as follows:

U Darr
R McKnight (appointed 1st February 2018)
J Scott (resigned 1st February 2018)
D Stephen

Going concern

The directors have a reasonable expectation that the company has adequate resources, and therefore will continue to adopt the going concern basis in preparing the annual report and accounts.

Disclosure of information to the auditors

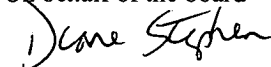
The directors who were members of the board at the time of approving the directors' report are listed above. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the board



D Stephen
Director

27 September 2018

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Independent auditors' report

to the members of Petrofac Engineering Limited

Opinion

We have audited the financial statements of Petrofac Engineering Limited for the year ended 31 December 2017 which comprise the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report

to the members of Petrofac Engineering Limited (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Moira Ann Lawrence (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
28/9/2018

Income statement

For the year ended 31 December 2017

	Notes	Continuing Operations 2017 £000	Discontinued Operations 2017 £000	Total 2017 £000	Continuing Operations 2016 £000	Discontinued Operations 2016 £000	Total 2016 £000
Turnover	3	923	-	923	2,579	17,174	19,753
Cost of sales		(452)	-	(452)	(2,720)	(15,233)	(17,953)
Gross Profit		471	-	471	(141)	1,941	1,800
Administrative (expenses)/income		(1,026)	-	(1,026)	(296)	1,730	1,434
Operating(Loss)/ Profit	4	(555)	-	(555)	(437)	3,671	3,234
Interest receivable	9	64	-	64	-	73	73
Interest payable	10	-	-	-	-	(36)	(36)
Exceptional items	6	(1,007)	-	(1,007)	-	-	-
(Loss)/Profit on ordinary activities before taxation		(1,498)	-	(1,498)	(437)	3,708	3,271
Tax credit/(charge) on (loss)/profit on ordinary activities	11	381	-	381	126	(1,169)	(1,043)
(Loss)/Profit for the financial year		(1,117)	-	(1,117)	(311)	2,539	2,228

Statement of comprehensive income

For the year ended 31 December 2017

	2017 £000	2016 £000
(Loss)/Profit for the financial year	(1,117)	2,228
Exchange difference on retranslation of net assets of branches	15	132
Total comprehensive (loss)/income for the year	(1,102)	2,360

Statement of changes in equity

For the year ended 31 December 2017

	<i>Share capital £000</i>	<i>Translation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total Equity £000</i>
At 1 January 2016	3,225	26	29,510	32,761
Profit for the financial year	-	-	2,228	2,228
Currency translation adjustment	-	132	-	132
At 31 December 2016	3,225	158	31,738	35,121
Loss for the financial year	-	-	(1,117)	(1,117)
Currency translation adjustment	-	15	-	15
At 31 December 2017	3,225	173	30,621	34,019

Translation reserve

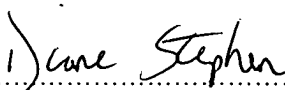
The translation reserve arises as a result of translating the financial statement items of branches from the functional currency using the exchange rate at the statement of financial position date, which differs from the rate in effect at the last measurement date of the respective item.

Statement of financial position

at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Tangible assets	12	130	147
Intangible assets	13	-	5
		<u>130</u>	<u>152</u>
Current assets			
Trade and other receivables	14	37,304	31,496
Cash at bank and in hand		315	9,365
		<u>37,619</u>	<u>40,861</u>
Creditors: amounts falling due within one year			
Trade and other payables	15	2,723	5,892
Net current assets		<u>34,896</u>	<u>34,969</u>
Total assets less current liabilities		35,026	35,121
Provisions for liabilities	18	1,007	-
Net assets		<u>34,019</u>	<u>35,121</u>
Capital and reserves			
Share capital	19	3,225	3,225
Profit and loss account		30,621	31,738
Translation reserve		173	158
Equity shareholder's funds		<u>34,019</u>	<u>35,121</u>

The financial statements were approved for issue by the board on 27 September 2018.



 D Stephen
 Director

Notes to the financial statements

at 31 December 2017

1. Authorisation of financial statements and statement of compliance with FRS 101

The separate financial statements of Petrofac Engineering Limited (the “Company”) for the year ended 31 December 2017 were authorised for issue by the board of directors on 27 September 2018 and the statement of financial position was signed on the board’s behalf by Diane Stephen. Petrofac Engineering Limited is incorporated and domiciled in England.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The company’s financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company are as set out in note 2.

2. Accounting policies

2.1 Basis of preparation

The separate financial statements have been prepared on a historical cost basis, except for financial assets held at fair value through profit and loss that have been measured at fair value.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2017.

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

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share based payment*, provided that for a qualifying entity that is :
 - a subsidiary, the share-based payment arrangement concerns equity instruments of another group entity;
 - an ultimate parent, the share-based payment concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group, and in both cases, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of IFRS 7 *Financial Instruments: Disclosures*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement* provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

- 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*; and
 - paragraph 50 of IAS 41 *Agriculture*.
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*.
- The requirements of IAS 7 *Statement of Cash Flows*.
- The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
- The requirements of paragraph 17 and 18A of IAS 24 *Related Party Disclosures*.
- The requirements of 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.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

2.3 Significant Accounting Policies

Revenue recognition

Revenue is recognised to the extent that it is probable economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes.

2.3 Significant Accounting Policies (continued)

Tangible fixed assets

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost comprises the purchase price or construction cost and any costs directly attributable to making that asset capable of operating as intended. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation is provided on a straight-line basis at the following rates:

Furniture	- over 4 years
Office equipment	- over 3 years

Each asset's estimated useful life, residual value and method of depreciation are reviewed and adjusted if appropriate at each financial year end.

No depreciation is charged on assets under construction.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected to arise from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the income statement when the item is derecognised. Gains are not classified as revenue.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

Intangible Assets

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets with a finite life are amortised over their useful economic life using a straight-line method unless a better method reflecting the pattern in which the asset's future economic benefits are expected to be consumed can be determined. The amortisation charge in respect of intangible assets is included in the administrative expenses line of the income statement, at the following rates:

Computer software - 3 years

The expected useful lives of assets are reviewed on an annual basis. Any change in the useful life or pattern of consumption of the intangible asset is treated as a change in accounting estimate and is accounted for prospectively by changing the amortisation period or method. Intangible assets are tested for impairment wherever there is an indication that the asset may be impaired.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Available-for-sale financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value reported in the consolidated income statement.

The fair value changes to undesignated forward currency contracts are reported within other operating income/expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. This category generally applies to trade and other receivables.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

2.3 Significant Accounting Policies (continued)

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial liabilities at fair value through profit or loss
- Loans and borrowings

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. No liabilities have been designated at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

2.3 Significant Accounting Policies (continued)

Financial Liabilities (continued)

Impairment of assets (excluding goodwill)

At each statement of financial position date, the carrying amounts of tangible and intangible assets are reviewed to assess whether there is an indication that those assets may be impaired. If any such indication exists, an estimate is made of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is based on the risk-adjusted discounted cash flow models and includes value attributable to contingent resources. A post-tax discount rate is used in such calculations.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment is treated as a revaluation increase.

Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any amounts estimated to be uncollectable. An estimate for doubtful debts is made when there is objective evidence that the collection of the full amount is no longer probable under the terms of the original invoice. Impaired debts are derecognised when they are assessed as uncollectable.

Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised in the income statement as a finance cost.

Foreign currencies

The company's financial statements are presented in Sterling, which is also the company's functional currency.

Sterling is the currency of the primary economic environment in which the entity operates. This is the currency that primarily influences sales prices for goods and services, labour, material and other costs of providing goods and services.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

2.3 Significant Accounting Policies (continued)

Foreign currencies (continued)

Transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Income taxes

Income tax expense represents the sum of the current income tax and deferred tax.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legal enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

Notes to the financial statements

at 31 December 2017

2. Accounting policies (continued)

2.3 Significant Accounting Policies (continued)

Leases

Assets held under finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and the finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme. Contributions to this scheme are recognised in the income statement in the period in which they become payable.

Notes to the financial statements

at 31 December 2017

3. Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Turnover recognised in the income statement is analysed as follows:

	2017 £000	2016 £000
Continuing operations		
Rendering of services	923	2,579
Turnover from continuing operations	<u>923</u>	<u>2,579</u>
Discontinued operations		
Rendering of services	-	17,174
Turnover from discontinued operations	<u>-</u>	<u>17,174</u>

The company's turnover and profit on ordinary activities before taxation are derived principally from the operations of the company in the Americas (2016 – Europe).

An analysis of turnover by geographical market is shown below:

	2017 £000	2016 £000
Africa	-	1,386
Americas	616	3,052
Europe	307	10,009
Former Soviet Union and Asia	-	348
Middle East	-	4,958
	<u>923</u>	<u>19,753</u>

4. Operating (Loss)/Profit

This is stated after charging/(crediting):

	Continuing Operations 2017 £000	Discontinued Operations 2017 £000	Total 2017 £000	Continuing Operations 2016 £000	Discontinued Operations 2016 £000	Total 2016 £000
Amortisation of intangible assets	5	-	5	-	9	9
Depreciation of owned fixed assets	46	-	46	-	183	183
Operating lease rentals						
- land and buildings	476	-	476	245	49	294
Net loss/(gain) on foreign currency translation	146	-	146	-	(67)	(67)

Notes to the financial statements

at 31 December 2017

5. Auditors remuneration

The company paid the following amounts to its auditors in respect of the financial statements and for other services provided to the Company.

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Audit of the financial statements	<u>26</u>	<u>23</u>

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its parent Petrofac Limited.

6. Exceptional items

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Recognised in exceptional items:		
Onerous lease costs	<u>1,007</u>	<u>-</u>
	<u>1,007</u>	<u>-</u>

During the year, the Company provided for an onerous lease on their leased property, amounting to £1,007,000 (2016:£nil).

7. Staff costs

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Wages and salaries	43	2,785
Social security costs	7	328
Staff pension contributions (note 16)	<u>4</u>	<u>164</u>
	<u>54</u>	<u>3,277</u>

The monthly average number of employees during the year was as follows:

	<i>2017</i> <i>No.</i>	<i>2016</i> <i>No.</i>
Administration	-	2
Operations	<u>2</u>	<u>37</u>
	<u>2</u>	<u>39</u>

Wages and salaries include nil for share-based payments (2016 - £nil).

Notes to the financial statements

at 31 December 2017

8. Directors' remuneration

D. Stephen and U. Darr, the company directors are also directors of fellow group subsidiaries. The remuneration of D. Stephen, J. Scott and U. Darr was paid in full by Petrofac Facilities Management Limited. R. McKnight was paid in full by Petrofac Services Limited. It is not practicable to apportion their remuneration between their services as directors of this company and their services as directors of fellow subsidiary companies.

9. Interest receivable

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Other group undertakings	64	73
	<u>64</u>	<u>73</u>

10. Interest payable

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
Other group undertakings	-	36
	<u>-</u>	<u>36</u>

Notes to the financial statements

at 31 December 2017

11. Taxation

(a) Tax (credit)/charge in the income statement

	<i>Continuing Operations 2017 £000</i>	<i>Discontinued Operations 2017 £000</i>	<i>Total 2017 £000</i>	<i>Continuing Operations 2016 £000</i>	<i>Discontinued Operations 2016 £000</i>	<i>Total 2016 £000</i>
<i>Current Income Tax:</i>						
UK corporation tax	(142)	-	(142)	(102)	862	760
Foreign tax	85	-	85	-	-	-
Current income tax (credit)/charge	(57)	-	(57)	(102)	862	760
Amounts (over)/under provided in previous years	(324)	-	(324)	(24)	307	283
Total current income tax (credit)/charge	(381)	-	(381)	(126)	1,169	1,043

Of the charge to current tax, £nil (2016: £1,169,000) related to profits arising in Petrofac Engineering Limited, which were transferred to Petrofac Facilities Management Limited during 2016. No tax charge or credit arose on the transfer of trade and assets.

(b) There is no tax relating to items charged or credited to other comprehensive income.

Notes to the financial statements

at 31 December 2017

11. Taxation (continued)

(c) Reconciliation of the total tax charge

The tax expense in the income statement for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are reconciled below:

	<i>2017</i> <i>£000</i>	<i>2016</i> <i>£000</i>
(Loss)/Profit before taxation	(1,498)	3,271
Tax calculated at UK standard rate of corporation tax of 19.25% (2016: 20%)	(288)	654
Expenses not deductible/(income not taxable)	146	106
Foreign tax	85	-
Tax under/(over) provided in previous years	(324)	283
Total tax expense reported in the income statement	(381)	1,043

(d) Change in Corporation Tax rate

The standard rate of Corporation Tax in the UK changed from 20% to 19% on 1 April 2017 and will reduce further to 17% from 1 April 2020. As the rate change was substantively enacted in a prior period there is no further impact as a result of the future rate change.

12. Tangible fixed assets

	<i>Furniture and office equipment £000</i>	<i>Total £000</i>
<i>Cost:</i>		
At 1 January and 31 December 2017	328	328
<i>Depreciation and impairment:</i>		
At 1 January 2017	181	181
Foreign currency adjustment	(29)	(29)
Provided during the year	46	46
At 31 December 2017	198	198
<i>Carrying amount:</i>		
At 31 December 2017	130	130
At 1 January 2017	147	147

Notes to the financial statements

at 31 December 2017

13. Intangible assets

	<i>Computer software £000</i>	<i>Total £000</i>
<i>Cost:</i>		
At 1 January and 31 December 2017	<u>12</u>	<u>12</u>
<i>Amortisation and impairment:</i>		
At 1 January 2017	7	7
Amortisation during the year	<u>5</u>	<u>5</u>
At 31 December 2017	<u>12</u>	<u>12</u>
<i>Carrying amount:</i>		
At 31 December 2017	<u>-</u>	<u>-</u>
At 1 January 2017	<u>5</u>	<u>5</u>

14. Trade and other receivables

	<i>2017 £000</i>	<i>2016 £000</i>
Trade receivables	1,060	117
Amounts due by group undertakings	35,215	30,592
Other debtors	89	-
Prepayments and rent deposits	234	241
Foreign tax receivable	188	117
Corporation tax	89	-
VAT recoverable	429	429
	<u>37,304</u>	<u>31,496</u>

Notes to the financial statements

at 31 December 2017

15. Trade and other payables: amounts falling due within one year

	2017 £000	2016 £000
Trade payables	65	50
Amounts owed to group undertakings	683	4,501
Other taxation and social security costs	57	47
Other payables	-	143
Accruals	1,344	689
Bank overdraft	574	-
Corporation tax	-	462
	<u>2,723</u>	<u>5,892</u>

Petrofac Limited, the company's ultimate parent company, has a bank facility with the Royal Bank of Scotland, with drawn balances cross guaranteed by the company. On a net basis, no funds were drawn on the overdraft as at 31 December 2017 (2016: nil).

16. Pensions

The pension cost charge (note 7) represents contributions payable by the company to the group defined contribution scheme and employees' personal pension arrangements. Contributions totalling nil (2016- £nil) were payable to the scheme at the year-end.

17. Obligations under leases

(a) Future minimum rentals payable

Future minimum rentals payable under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>	
	2017	2016
	£000	£000
Operating leases which expire:		
Not later than one year	409	99
After one year but not more than five years	1,637	2,367
After five years	657	1,383
	<u>2,703</u>	<u>3,849</u>

(b) Land and building leases

The land and building lease is subject to re-negotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs relating to the properties.

Notes to the financial statements

at 31 December 2017

18. Provisions for liabilities

	<i>Onerous Lease Provisions £000</i>
At 1 January 2017	-
Charged in the year	1,007
At 31 December 2017	<u>1,007</u>

Onerous lease provisions of £1,007,000 were recognised in the year in relation to rental properties.

19. Share capital

		<i>Authorised</i>	
		<i>2017</i>	<i>2016</i>
		<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each		<u>3,225</u>	<u>3,225</u>

<i>Allotted, called-up and fully-paid</i>				
		<i>2017</i>	<i>2016</i>	
		<i>£000</i>	<i>£000</i>	
<i>No.</i>			<i>No.</i>	
Ordinary shares of £1 each	3,225,000	<u>3,225</u>	3,225,000	<u>3,225</u>

20. Ultimate group undertaking

The company is an immediate subsidiary undertaking of Petrofac UK Holdings Limited, a company incorporated in England.

Petrofac Limited, the ultimate parent company and controlling party, is a company incorporated in Jersey, and heads the smallest and largest group in which the results of the company are consolidated.

Copies of the Petrofac Limited financial statements can be obtained from the Petrofac Limited Registered Office, 44 Esplanade, St Helier, Jersey, JE4 9WG.