

Petrofac Engineering Limited

Report and Financial Statements

31 December 2021

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COMPANIES HOUSE

Petrofac Engineering Limited

Petrofac Engineering Limited

Registered No: 02615887

Directors

S Coates (appointed on 26 January 2022)

R McKnight

C Thompson

Independent auditors

Ernst & Young LLP

1 More London Place

London

SE1 2AF

Registered office

117 Jermyn Street

London

SW1Y 6HH

Petrofac Engineering Limited

Registered No: 02615887

Strategic report

The directors present their strategic report for the year ended 31 December 2021.

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.

The Company’s key financial and other performance indicators during the year were as follows:

	2021 £000	2020 £000	Change %
Turnover	419	279	(50)%
Operating loss	(494)	(1,331)	(63)%
Loss for the financial year	(532)	(1,118)	(52)%
Total Shareholders’ funds	15,810	16,322	(3)%
Current assets as a percentage of current liabilities	925%	1,408%	
Average number of employees	1	1	

In 2021, the Company continued to support fellow subsidiary undertakings in the Petrofac Group with sub-contracted work predominantly through its branches.

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.

Petrofac Engineering Limited

Registered No: 02615887

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 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

A handwritten signature in dark ink, appearing to be 'C Thompson', written over a horizontal line.

C Thompson
Director
28 April 2023

Petrofac Engineering Limited

Registered No: 02615887

Directors' report

The directors present their report and financial statements for the year ended 31 December 2021.

Results and dividends

The loss for the year, after taxation, amounted to £532,000 (2020: loss of £1,118,000). The Company has not paid a dividend in respect of the year ended 31 December 2021 (2020: £nil).

Foreign branches

The Company has active branches in Italy, Mexico and the United Arab Emirates. There was a branch in Korea which ceased trading in November 2018 along with a branch in Australia which is dormant.

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 (resigned on 27 Jun 2022)
R McKnight
C Thompson

Subsequent to the year end S Coates was appointed on 26 January 2022.

Going concern

In assessing whether the financial statements for the company should be prepared on the going concern basis, the directors have considered the future outlook of the company. The directors have received written confirmation that Petrofac UK Holdings Limited (the immediate parent) will continue to provide support to enable the company to pay its liabilities as and when they become due. Furthermore, Petrofac Limited (the ultimate parent company) has provided support to Petrofac UK Holdings Limited to enable Petrofac UK Holdings Limited to pay its liabilities as and when they become due. As such, in assessing the ability of the company to continue as a going concern, the directors have considered the outlook and financial situation of the immediate parent, as well as the ultimate parent, Petrofac Limited, and the overall Petrofac Group. The going concern assessment period for the company is for 20 months from 26th April 2023 to 31st December 2024 (the "Assessment Period").

As disclosed in Petrofac Limited's annual report for the year ended 31 December 2022, its consolidated net assets as at 31 December 2022 amount to US\$112m (31 December 2021 restated: US\$423m), and its consolidated total assets at 31 December 2022 amounts to US\$3,267m (31 December 2021 restated: US\$3,807m). The directors of Petrofac Limited performed a robust going concern assessment for the Group for the 20 month period to 31st December 2024 which took into account the Group's funding position, liquidity and covenant headroom and a range of severe but plausible downside scenarios. The directors of Petrofac Limited concluded, after rigorously evaluating relevant, available information, that, they remain confident in the prospects of the Group to maintain compliance with its financial covenants and sufficient liquidity even in a severe but plausible downside scenario. However, the Group's liquidity position in the mitigated severe but plausible downside scenario is reliant on a small number of high value collections from clients in the near-term which are not entirely within the direct control of the Group. Consequently, in accordance with accounting standards, the directors of Petrofac Limited have concluded that there is a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern during the Assessment Period for the Group's financial statements for the year ended 31 December 2022 relating to the timing of receipt of these collections from clients, as described in note 2.5 of the Group's consolidated financial statements.

Directors' report (continued)

Going concern (continued)

Taking into account the conclusions reached by the directors of Petrofac Limited in their assessment, the Company's directors concluded that there is a corresponding material uncertainty over the ability of the Company's ability to continue as a going concern over the going concern assessment period to 31 December 2024. The Company is reliant on support from its ultimate parent company, but there is a material uncertainty over whether the ultimate parent company will be able to provide that support if required. Notwithstanding this material uncertainty, and noting the conclusion of Petrofac Limited's directors reached after rigorously evaluating all relevant, available information – that they remain confident in the prospects of the Group to maintain compliance with its financial covenants and sufficient liquidity even in a severe but plausible downside scenario – continued use of the going concern basis of accounting in preparing the Company's financial statements for the year ended 31 December 2021 has been determined to remain appropriate.

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.

Independent auditors

Ernst & Young LLP, having expressed their willingness to act, are deemed to continue in office as the Company's auditors.

On behalf of the board



C Thompson
Director
28 April 2023

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 group financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 group and 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance; 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 enable them to ensure that the company 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Petrofac Engineering Limited

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 2021 which comprise the Income statement, Statement of comprehensive income, Statement of changes in equity, Statement of financial position and the related notes 1 to 18, 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 2021 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.

Material uncertainty relating to going concern

We draw attention to Note 1 of the financial statements, which describes that the company is reliant upon support from the ultimate parent company, Petrofac Limited. The directors of Petrofac Limited have determined that there exists a material uncertainty that may cast significant doubt on the group's ability to continue as a going concern. The material uncertainty disclosed in the group's 2022 consolidated financial statements pertains to the fact that the group has short-term reliance on a number of relatively high value collections relating to the closing out of historical contracts, settlements and advance payments from new awards which are not wholly within the control of management. Whilst the group's liquidity forecasts, on a mitigated, severe but plausible scenario, show that the group maintains positive liquidity and remains in compliance with the minimum liquidity financial covenant throughout the group's (and company's) going concern assessment period (from the approval of the financial statements to 31 December 2024), material delays in these collections could pose a risk to liquidity covenant compliance and to the group's liquidity. Until such time as these near-term collections have been secured, there is a material uncertainty that the group can maintain covenant compliance and positive liquidity throughout the Assessment Period.

As a result, and as disclosed in Note 1, there is a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern, because of the material uncertainty around the ability of the parent company to provide it with financial support if required. Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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

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 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 has 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 6, 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.

Independent auditors' report to the members of Petrofac Engineering Limited

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation, including anti-bribery and corruption in the United Kingdom and any other areas of operation.
- We understood how the company is complying with those frameworks by making enquiries of management to understand how the company maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation. We also reviewed correspondence with relevant authorities.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override. Our procedures involved testing journal entries identified by specific risk criteria.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures included a focus on compliance with the accounting and regulatory frameworks and obtaining sufficient audit evidence in line with the level of risk identified, in conjunction with compliance with relevant legislation.

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

Colin Brown (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 April 2023

Income statement

For the year ended 31 December 2021

	<i>Notes</i>	<i>2021</i> <i>£000</i>	<i>2020</i> <i>£000</i>
Turnover	3	419	279
Cost of sales		(422)	(1,007)
Gross Loss		(3)	(728)
Administrative expenses		(491)	(603)
Operating Loss	4	(494)	(1,331)
Interest receivable	8	55	105
Interest payable	9	(102)	(93)
Loss on ordinary activities before taxation		(541)	(1,319)
Tax credit on loss on ordinary activities	10	9	201
Loss for the financial year		(532)	(1,118)

Statement of comprehensive income

For the year ended 31 December 2021

	<i>2021</i> <i>£000</i>	<i>2020</i> <i>£000</i>
Loss for the financial year	(532)	(1,118)
Exchange difference on retranslation of net assets of branches	20	28
Total comprehensive loss for the year	(512)	(1,090)

Statement of changes in equity

For the year ended 31 December 2021

	<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 2020	3,225	319	31,368	34,912
Loss for the financial year	-	-	(1,118)	(1,118)
Capital distribution (note 12)	-	-	(17,500)	(17,500)
Currency translation adjustment	-	28	-	28
At 31 December 2020	3,225	347	12,750	16,322
Loss for the financial year	-	-	(532)	(532)
Currency translation adjustment	-	20	-	20
At 31 December 2021	3,225	367	12,218	15,810

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.

Petrofac Engineering Limited

Registered No: 2615887

Statement of financial position

As at 31 December 2021

	Notes	2021 £000	2020 £000
Non-current assets			
Tangible assets	11	550	751
Non-current portion of lease receivable	13	124	246
		<u>674</u>	<u>997</u>
Current assets			
Trade and other receivables	12	17,718	18,010
Cash at bank and in hand		269	340
		<u>17,987</u>	<u>18,350</u>
Creditors: amounts falling due within one year			
Trade and other payables	14	1,945	1,302
		<u>16,042</u>	<u>17,048</u>
Net current assets			
		<u>16,716</u>	<u>18,045</u>
Total assets less current liabilities			
		<u>15,810</u>	<u>16,322</u>
Creditors: amounts falling due after one year	15	906	1,723
		<u>15,810</u>	<u>16,322</u>
Net assets			
		<u>15,810</u>	<u>16,322</u>
Capital and reserves			
Share capital	17	3,225	3,225
Profit and loss account		12,218	12,750
Translation reserve		367	347
		<u>15,810</u>	<u>16,322</u>
Total shareholders' funds			
		<u>15,810</u>	<u>16,322</u>

The notes on pages 13 to 31 are an integral part of these financial statements.

The financial statements on pages 10 to 12 were authorised for issue by the board of directors on 28 April 2023.

.....
C Thompson
Director

Notes to the financial statements

at 31 December 2021

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

The separate financial statements of Petrofac Engineering Limited for the year ended 31 December 2021 were authorised for issue by the board of directors on 28 April 2023 and the statement of financial position was signed on the board's behalf by Carl Thompson. Petrofac Engineering Limited is a private Company limited by shares and is incorporated and domiciled in England and Wales.

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.

Going Concern

In assessing whether the financial statements for the company should be prepared on the going concern basis, the directors have considered the future outlook of the company. The directors have received written confirmation that Petrofac UK Holdings Limited (the immediate parent) will continue to provide support to enable the company to pay its liabilities as and when they become due. Furthermore, Petrofac Limited (the ultimate parent company) has provided support to Petrofac UK Holdings Limited to enable Petrofac UK Holdings Limited to pay its liabilities as and when they become due. As such, in assessing the ability of the company to continue as a going concern, the directors have considered the outlook and financial situation of the immediate parent, as well as the ultimate parent, Petrofac Limited, and the overall Petrofac Group. The going concern assessment period for the company is for 20 months from 26th April 2023 to 31st December 2024 (the "Assessment Period").

As disclosed in Petrofac Limited's annual report for the year ended 31 December 2022, its consolidated net assets as at 31 December 2022 amount to US\$112m (31 December 2021 restated: US\$423m), and its consolidated total assets at 31 December 2022 amounts to US\$3,267m (31 December 2021 restated: US\$3,807m). The directors of Petrofac Limited performed a robust going concern assessment for the Group for the 20 month period to 31st December 2024 which took into account the Group's funding position, liquidity and covenant headroom and a range of severe but plausible downside scenarios. The directors of Petrofac Limited concluded, after rigorously evaluating relevant, available information, that, they remain confident in the prospects of the Group to maintain compliance with its financial covenants and sufficient liquidity even in a severe but plausible downside scenario. However, the Group's liquidity position in the mitigated severe but plausible downside scenario is reliant on a small number of high value collections from clients in the near-term which are not entirely within the direct control of the Group. Consequently, in accordance with accounting standards, the directors of Petrofac Limited have concluded that there is a material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern during the Assessment Period for the Group's financial statements for the year ended 31 December 2022 relating to the timing of receipt of these collections from clients, as described in note 2.5 of the Group's consolidated financial statements.

Taking into account the conclusions reached by the directors of Petrofac Limited in their assessment, the Company's directors concluded that there is a corresponding material uncertainty over the ability of the Company's ability to continue as a going concern over the going concern assessment period to 31 December 2024. The Company is reliant on support from its ultimate parent company, but there is a material uncertainty over whether the ultimate parent company will be able to provide that support if required. Notwithstanding this material uncertainty, and noting the conclusion of Petrofac Limited's directors reached after rigorously evaluating all relevant, available information – that they remain confident in the prospects of the Group to maintain compliance with its financial covenants and sufficient liquidity even in a severe but plausible downside scenario – continued use of the going concern basis of accounting in preparing the Company's financial statements for the year ended 31 December 2021 has been determined to remain appropriate.

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies

2.1 Basis of preparation

The separate financial statements have been prepared on a historical cost basis in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2021.

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

- 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 Company 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 Company is consolidated.
- 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
- 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 Company is consolidated.

2.2 Adoption of new financial reporting standards, amendments and interpretations

Effective new financial reporting standards

The following amendments apply for the first time in 2021 but do not have an impact on the financial statements of the Company:

- Amendments to IFRS 16 – COVID-19-Related Rent Concessions (effective 1 June 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021)

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Notes to the financial statements

at 31 December 2021

2 Summary of significant accounting policies *(continued)*

2.3 Financial reporting standards, amendments and interpretations issued but not effective

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the Company's financial statements

2.4 Significant accounting judgements and estimates

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

- Revenue recognition on fixed-price engineering, procurement and construction contracts: The Company measures progress and recognises revenue on fixed-price engineering, procurement and construction contracts using the input method, based on the actual cost of work performed at end of the reporting period as a percentage of the estimated total contract costs at completion. The input method faithfully depicts the Company performance in transferring control of goods and services to the customer, provides meaningful information in respect of satisfied and unsatisfied performance obligations towards the customer.

Impairment of assets

An assessment is made on tangible assets measured at cost, for possible impairment if there are events or changes in the circumstances that indicate the carrying values of the assets are not recoverable. Such indicators include changes in commodity price or land, changes in the Company's business plan leading to unprofitable performance. Determination as to whether and how much an asset is impaired by, involves management estimates on highly uncertain matters such as the outlook for global or regional market supply, the effects of inflation, future commodity prices and the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset which the estimates of future cash flows have not been adjusted.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

2.5 Significant accounting judgements and estimates

Estimation uncertainty

- Deferred tax assets: deferred tax assets are recognised on all applicable temporary differences where it is probable that the tax assets estimated are realised and future taxable profits will be available for utilisation. This requires management to make judgements and assumptions regarding the interpretation of tax laws and regulations as they apply to events in the period and the amount of deferred tax that can be recognised based on the magnitude and likelihood of future taxable profits which are estimated from management assumptions with respect to the outcome of future events.
- Income tax: the Company is routinely subject to tax audits and assessments including processes whereby tax return filings are discussed and agreed with the relevant tax authorities. Whilst the ultimate outcome of such tax audits and discussions cannot be determined with certainty, management estimates the level of tax provisioning required for amounts where there is a probable future outflow, based on the applicable law and regulations, historic outcomes of similar audits and discussions, professional external advice and consideration of the progress on, and nature of, current discussions with the tax authority concerned. The ultimate outcome following resolution of such audits and assessments may be materially higher or lower than the amount provided.
- Other taxes payable: the Company accrues indirect taxes, such as value added tax, to the extent it is probable that there will be an associated tax payment or receipt in respect of relevant income and expenses.

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies *(continued)*

2.5 Significant accounting judgements and estimates *(continued)*

This requires management to make judgements and assumptions on the application of tax laws and regulations to events in the period. The ultimate outcome may result in materially higher or lower payments or receipts.

2.6 Significant accounting policies

Revenue from contracts with customers

The principal activity was the provision of 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. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Engineering & Production Services (EPS)

The contracts with customers for the provision of reimbursable EPS include distinct performance obligations based on the assessment that the service is capable of being distinct both individually and within the context of the contract. The services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Company, using the input method for measuring progress towards complete satisfaction of the performance obligation.

Variable consideration, e.g. incentive payments and performance bonuses will be estimated at contract inception and at the end of each reporting period using the single most likely amount approach, where the outcome is expected to be binary and where it is considered highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenues from fixed-price contracts are recognised using the input method, measured by milestones completed or earned value once the outcome of a contract can be estimated reliably. In the early stages of contract completion, when the outcome of a contract cannot be estimated reliably, contract revenues are recognised only to the extent of costs incurred that are expected to be recoverable.

The Company does not generally receive advances from customers for its reimbursable EPS contracts. If advances are received these will only be short term. In such cases the Company applies the practical expedient provided in IFRS 15 'Revenue from Contracts with Customers', and will not adjust the promised amount of the consideration for the effects of a significant financing component in the contracts, where the

Company expects at contract inception that the period between the Company transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. Accordingly, for short-term advances, the Company will not account for a financing component even if it is a significant amount.

Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation and accumulated impairment charges. 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.

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies *(continued)*

2.6 Significant accounting policies *(continued)*

Depreciation is provided over the period as follows:

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 the end of the reporting period. No depreciation is charged on land or 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 from its use. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the other operating income line item in the income statement when the asset is derecognised.

Impairment of non-current assets (excluding goodwill)

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate 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. The Company uses pre-tax discount rate to discount pre-tax cash flows and post-tax discount rate to discount post-tax cash flows.

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 charge 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 reporting periods. 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.

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies *(continued)*

2.6 *Significant accounting policies (continued)*

Contract assets and contract liabilities

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Fixed-price engineering, procurement and construction contracts are presented in the balance sheet as follows:

- For each contract, the revenue recognised at the contract's measure of progress using input method, after deducting the progress payments received or receivable from the customers, is presented within the contract assets line item in the balance sheet as work in progress. The amounts recognised as work in progress are adjusted for any expected credit loss allowance using the probability of default of the counterparty. The probability of default data for the counterparty is sourced from a third-party provider.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier).

Contract liabilities are recognised as revenue when the Company performs under the contract.

Fixed-price engineering, procurement and construction contracts are presented in the balance sheet as follows:

- Where the payments received or receivable for any contract exceed revenue recognised, the excess is presented within the contract liabilities line item in the balance sheet as billings in excess of cost and estimated earnings.

Incremental costs of obtaining a contract

The Company recognises an asset in respect of the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. Such capitalised costs are expensed over the life of the contract. The Company also applies the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Company otherwise would have recognised is one year or less. At 31 December 2021, there were no such incremental costs recognised as an asset in the balance sheet.

Trade receivables

A trade receivable represents a company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and short-term deposits with an original maturity of three months or less, including expected credit loss allowance calculated based on the probability of default data for the counterparty sourced from a third-party provider. For the purpose of the statement of cash flow, cash and cash equivalents consists of cash and cash equivalents as defined above, including outstanding bank overdrafts.

Provisions

Provisions are recognised when the Company 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,

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies (continued)

2.6 Significant accounting policies (continued)

provisions are discounted using a 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 expense.

Financial assets and financial liabilities

A financial instrument is any contract that gives rise to a financial asset of one company and a financial liability or equity instrument of another company.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, fair value through profit or loss, 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, transaction costs that are attributable to the acquisition of the financial asset.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 'Revenue from Contracts with Customers'.

In order for a financial asset to be classified and measured at amortised cost it needs to give rise to cash flows that are 'solely payments of principal and interest' ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

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

- Amortised cost; and
- Financial assets at fair value through profit or loss.

Amortised cost

This category is the most relevant to the Company and generally applies to trade and other receivables. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ('EIR') method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

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, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies *(continued)*

2.6 *Significant accounting policies (continued)*

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. Financial assets at fair value through profit or loss are carried in the balance sheet at fair value with net changes in fair value recognised in the income statement. The fair value changes to undesignated forward currency contracts are reported within the other operating income/ expenses line item in the income statement.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ('ECLs') for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include, if any, cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs (a lifetime ECL). Accordingly, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. An impairment analysis is performed at each reporting date subject to the Company's established policies and procedures. The probability of default data for the counterparty is sourced from a third-party provider. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The expected credit loss calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and where possible, forecasts of future economic conditions. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs are sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. A financial asset is written off only when there is no reasonable expectation of recovering the contractual cash flows, based on contractual position agreed with the customer, contract close-out negotiations and objective evidence of the customer's inability to pay.

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 trade and other payables, net of directly attributable transaction costs.

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

Subsequent measurement

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

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

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies (continued)

2.6 Significant accounting policies (continued)

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. This category also includes derivative financial instruments entered that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

Gains or losses on liabilities held for trading are recognised in the income statement.

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 IFRS 9 'Financial Instruments' are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This category generally applies to interest-bearing 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 the other operating income/expenses line item in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering 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 expense in the income statement. This category generally applies to interest-bearing loans and borrowings.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

If an existing financial liability is replaced by another from the same lender, on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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 2021

2. Summary of significant accounting policies *(continued)*

2.6 Significant accounting policies *(continued)*

Income taxes

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

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting 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 tax assets are recognised only to the extent that it is probable that a taxable profit will be available against which the deductible temporary differences and carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates and tax laws enacted or substantively enacted at the balance sheet date.

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

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Company recognises right-of-use assets, at the commencement date of the lease (i.e. the date at which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Right-of-use assets are subject to same impairment requirements as those applicable to property, plant and equipment.

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies *(continued)*

2.6 Significant accounting policies *(continued)*

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, if the interest rate implicit in the lease is not readily determinable, the Company uses the incremental borrowing rate, defined as the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment, at the lease commencement date.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property, plant and equipment that are considered of low value (i.e. below £3,900). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term in cost of sales or selling, general and administration expenses line items of the income statement.

If the lease contract is cancellable by both lessee and lessor with no or insignificant penalty the lease contract is considered to be cancellable, since the requirement under IFRS 16 for enforceability of the contract is not met, therefore, such lease is recognised as a short-term lease, the decision taken had no material impact on the financial statements.

The Company makes certain judgements in determining the lease term for contracts that is or contains a lease:

- The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.
- The Company has the option to renew the lease term for some of its leases. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).
- The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date and whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset.

Foreign currency translation

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

Notes to the financial statements

at 31 December 2021

2. Summary of significant accounting policies *(continued)*

2.6 *Significant accounting policies (continued)*

The Company determines its own functional currency and items included in the financial statements are measured using that functional currency. Functional currency is defined as the currency of the primary economic environment in which the Company operates. Sterling is the currency of the primary economic environment in which the Company operates.

Transactions and balances

Transactions in foreign currencies are initially recorded at the Company's functional currency by applying the spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates 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 is determined.

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:

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Continuing operations		
Rendering of services	419	279
Turnover from continuing operations	<u>419</u>	<u>279</u>

The Company's turnover and profit on ordinary activities before taxation are derived from the operations of the Company in Europe (2020: Europe).

4. Operating loss

This is stated after charging/(crediting):

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Depreciation of owned fixed assets	201	208
Net loss / (gain) on foreign currency translation	<u>175</u>	<u>(26)</u>

Notes to the financial statements

at 31 December 2021

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.

	2021 £000	2020 £000
Audit of the financial statements	25	25

6. Staff costs

	2021 £000	2020 £000
Wages and salaries	121	128
Social security costs	26	27
Staff pension contributions	7	7
	154	162

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

	2021	2020
Operations	1	1
	1	1

Wages and salaries include nil for share-based payments (2020 - £nil).

7. Directors' remuneration

The Company directors are also directors of fellow Petrofac Group subsidiaries. The remuneration of U Darr was paid for in full by Petrofac Facilities Management Limited ("PFML"), whilst the remuneration of R McKnight and C Thompson was incurred by Petrofac Services Limited, both companies are subsidiaries within the Petrofac Limited Group. It is not considered practicable to allocate a charge for services provided as directors of this Company and their services as directors of fellow subsidiaries.

8. Interest receivable

	2021 £000	2020 £000
Other group undertakings	3	32
Finance income	52	73
Total interest receivable and similar income	55	105

9. Interest payable

	2021 £000	2020 £000
Finance expense	102	93
Total interest payable and similar expense	102	93

Notes to the financial statements

at 31 December 2021

10. Taxation

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

	2021	2020
	£000	£000
<i>Current Income Tax:</i>		
Group relief (receivable)	(40)	(183)
Adjustments in respect of prior years	26	(18)
Foreign tax charge	5	-
Total current tax (credit) / charge	<u>(9)</u>	<u>(201)</u>

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

- (c) Reconciliation of the total tax charge

The tax (credit) / charge in the income statement for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021	2020
	£000	£000
(Loss) on ordinary activities before taxation	<u>(541)</u>	<u>(1,319)</u>
Tax calculated at UK standard rate of corporation tax of 19% (2020: 19%)	(103)	(250)
Adjustments in respect of prior periods – current tax	26	(18)
Unrecognised deferred tax	-	1
Foreign taxes paid	5	-
Expenses not deductible for tax purposes	63	26
Tax rate change	-	(5)
Foreign PE exemption	-	45
Tax credit for the period	<u>(9)</u>	<u>(201)</u>

- (d) Change in Corporation Tax rate

The standard rate of Corporation Tax in the UK for the year is 19%. (2020: 19%)

In 2021, the UK Government enacted legislation to increase the main rate of corporation tax to 25% with effect from 1 April 2023. In December 2021, the OECD issued model rules for a new global minimum tax framework, setting out the scope of and the mechanism for calculating the global minimum tax. The Company is reviewing the model rules and awaiting the OECD's anticipated publication of further guidance, as well as new legislation expected to be released by governments implementing this new tax regime, to assess the potential impact of any new legislation on the Company.

Notes to the financial statements

at 31 December 2021

11. Tangible fixed assets

	<i>Furniture and office equipment</i>	<i>Right of use assets</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>			
At 1 January 2021	146	1,086	1,232
Disposals	(144)	-	(144)
At 31 December 2020	<u>2</u>	<u>1,086</u>	<u>1,088</u>
<i>Depreciation and impairment:</i>			
At 1 January 2021	144	337	481
Provided during the year	-	201	201
Disposals	(144)	-	(144)
At 31 December 2021	<u>-</u>	<u>538</u>	<u>538</u>
<i>Carrying amount:</i>			
At 31 December 2021	<u>2</u>	<u>548</u>	<u>550</u>
At 1 January 2021	<u>2</u>	<u>749</u>	<u>751</u>

12. Trade and other receivables: amounts receivable within one year

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Trade receivables	172	116
Amounts owed by Group undertakings	16,505	16,563
Other debtors	40	284
Prepayments, accrued income and rent deposits	148	78
Group relief receivable	224	146
Foreign tax receivable	66	111
Lease receivable	103	131
VAT recoverable	460	581
	<u>17,718</u>	<u>18,010</u>

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

Notes to the financial statements

at 31 December 2021

13. Trade and other receivables: amounts receivable after one year

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Lease receivable	124	246
	<u>124</u>	<u>246</u>

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

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Trade payables	361	120
Amounts owed to Group undertakings	386	293
Accruals	320	101
Lease liability (note 16)	814	788
Other creditors	64	-
	<u>1,945</u>	<u>1,302</u>

15. Creditors: amounts falling due after one year

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Lease liability (note 16)	906	1,723
	<u>906</u>	<u>1,723</u>

Notes to the financial statements

at 31 December 2021

16. Leases

The Company has lease contracts for property,. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

(a) **Right-of-use assets**

The Company recognises right-of-use assets, , at the commencement date of the lease (i.e. the date at which the underlying asset is available for use). The carrying amounts of right-of-use assets recognised and the movements during the period are disclosed in note 11.

(b) **Lease liabilities**

The table below provides details of lease liabilities recognised within the lease liabilities line item of the balance sheet:

	£'000
At 1 January 2021	2,511
Interest	79
Payments made by the Company	(870)
At 31 December 2021	<u>1,720</u>

(c) **Amounts recognised in the income statement in respect of leases**

	2021 £'000	2020 £'000
Finance expense recognised associated with lease liabilities	102	79
Finance income recognised associated with the sublease	(52)	(73)
Depreciation charge in respect of right-of-use assets	201	203

Notes to the financial statements

at 31 December 2021

16. Leases (continued)

(d) Future lease payments

Set out below are the future lease payments in respect of leases for property,. These have remaining non-cancellable lease terms of between one and 5 years. The undiscounted future minimum rental commitments under these non-cancellable leases as at 31 December 2021 are as follows:

At 31 December 2021

	<i>Future minimum lease payments £'000</i>	<i>Finance expense £'000</i>	<i>Present value £'000</i>
The commitments are as follows:			
Within one year	867	53	814
After one year but not more than five years	939	33	906
	<u>1,806</u>	<u>86</u>	<u>1,720</u>

At 31 December 2020

	<i>Future minimum lease payments £'000</i>	<i>Finance expense £'000</i>	<i>Present value £'000</i>
The commitments are as follows:			
Within one year	867	79	788
After one year but not more than five years	1,805	82	1,723
	<u>2,672</u>	<u>161</u>	<u>2,511</u>

Notes to the financial statements

at 31 December 2021

17. Allotted, called up and fully paid share capital

	2021 <i>Number of shares</i>	2020 <i>Number of shares</i>	2021 <i>£000</i>	2020 <i>£000</i>
Ordinary shares of £1 each	3,225,000	3,225,000	3,225	3,225
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	3,225,000	3,225,000	3,225	3,225

18. Ultimate Group undertaking

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

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, 26 New Street, St Helier, Jersey, JE2 3RA, or can be downloaded at www.petrofac.com.