

# **Petrofac Engineering Limited**

## **Report and Financial Statements**

31 December 2020

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COMPANIES HOUSE

Petrofac Engineering Limited

Registered No: 02615887

**Directors**

U Darr

R McKnight

C Thompson

**Auditors**

Ernst & Young LLP

4th Floor

2 Marischal Square

Broad Street

Aberdeen

AB10 1BL

**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 2020.

#### 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:

	2020 £000	2019 £000	Change %
Turnover	279	561	(50)%
Operating (loss) / profit	(1,331)	691	(293)%
(Loss) / profit for the financial year	(1,118)	743	(251)%
Shareholder's equity	16,322	34,912	(53)%
Current assets as a percentage of current liabilities	1,408%	793%	
Average number of employees	1	1	

In 2020, 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.

- COVID-19

Following the outbreak of COVID-19 (Coronavirus) in 2020, the Company along with the wider oil industry has witnessed unprecedented macro-economic uncertainty. The scale, duration and impact of the global pandemic, combined with the sharp downward trend in oil price, is at this time unclear. The management team have put in place a comprehensive plan to guide the business through this difficult period and are assessing the effects of the plan on a regular, ongoing basis.

On behalf of the board



C Thompson  
Director  
17 December 2021

## **Petrofac Engineering Limited**

Registered No: 02615887

### **Directors' report**

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

#### **Results and dividends**

The loss for the year, after taxation, amounted to £1,118,000 (2019: profit of £743,000). The Company has not paid a dividend in respect of the year ended 31 December 2020 (2019: £nil).

On 21 December 2020, the Company took part in an intra-group rationalisation exercise being conducted by Petrofac Limited, under the direction of the common parent, Petrofac Limited, the Company subsequently wrote off £17,500,000 due to it under the loan due to be repaid to the Company from another Group company, Petrofac Facilities Management Limited ("PFML"), which was treated as a distribution. No further distributions were made up to the signing of date of these financial statements.

#### **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  
R McKnight  
C Thompson

#### **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 to consider the outlook and financial situation of the immediate parent, as well as the ultimate parent, Petrofac Limited, and the Petrofac Group

## Petrofac Engineering Limited

Registered No: 02615887

### **Directors' report** (continued)

As disclosed in Petrofac Limited's annual report for the year ended 31 December 2020, its consolidated net assets as at 31 December 2020 amount to \$440m (31 December 2019: \$914m), and its consolidated total assets at 31 December 2020 amounts to \$4,201m (31 December 2019: \$5,976m). In addition, as disclosed in Petrofac Limited's interim financial statements for the six-month period ended 30 June 2021, its consolidated net assets as at 30 June 2021 amounts to \$366m, and its consolidated total assets at 30 June 2021 amounts to \$4,355m. In support of the continued use of the going concern basis of accounting for the interim financial statements for the six-month period ended 30 June 2021, the directors of Petrofac Limited performed a robust going concern assessment for the period to 31 December 2022 (Assessment Period) which took into account the Group's liquidity position and a range of severe but plausible downside scenarios. The directors of Petrofac Limited also evaluated potential events and conditions during the period beyond the Assessment Period, to 31 December 2022, that may cast significant doubt on the going concern assessment, concluding that there were no other such events or conditions.

Based on this comprehensive assessment, the directors of Petrofac Limited concluded that the continued use of the going concern basis of accounting in preparing the Group's interim financial statements for the six-month period ended 30 June 2021 remains appropriate. If the ultimate parent is unable to continue as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

#### **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**

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

17 December 2021

## **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 2020 which comprise the Income statement, Statement of comprehensive income, Statement of changes in equity, statement of financial position and the related notes 1 to 19 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 2020 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**

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

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.

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 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.

### **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.

## **Independent auditors' report**

**to the members of Petrofac Engineering Limited (continued)**

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.

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

December 2021 *Ernst & Young LLP*

## Income statement

For the year ended 31 December 2020

	<i>Notes</i>	<i>2020 £000</i>	<i>2019 £000</i>
<b>Turnover</b>	3	279	561
Cost of sales		(1,007)	(586)
<b>Gross Loss</b>		(728)	(25)
Administrative expenses		(603)	716
<b>Operating (Loss) / Profit</b>	4	(1,331)	691
Interest receivable	8	105	156
Interest payable	9	(93)	(109)
<b>(Loss) / Profit on ordinary activities before taxation</b>		(1,319)	738
Tax credit on profit on ordinary activities	10	201	5
<b>(Loss) / Profit for the financial year</b>		(1,118)	743

## Statement of comprehensive income

For the year ended 31 December 2020

	<i>2020 £000</i>	<i>2019 £000</i>
<b>(Loss) / Profit for the financial year</b>	(1,118)	743
Exchange difference on retranslation of net assets of branches	28	28
<b>Total comprehensive (Loss) / Income for the year</b>	(1,090)	771

## Statement of changes in equity

For the year ended 31 December 2020

	<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 2019	3,225	291	30,625	34,141
Profit for the financial year	-	-	743	743
Currency translation adjustment	-	28	-	28
At 31 December 2019	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

### 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 at 31 December 2020

	Notes	2020 £000	2019 £000
<b>Non-current assets</b>			
Tangible assets	11	751	610
Non-current portion of lease receivable	13	246	482
		<u>997</u>	<u>1,092</u>
<b>Current assets</b>			
Trade and other receivables	12	18,010	40,909
Cash at bank and in hand		340	549
		<u>18,350</u>	<u>41,458</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	14	1,302	5,227
<b>Net current assets</b>		<u>17,048</u>	<u>36,231</u>
<b>Total assets less current liabilities</b>		<u>18,045</u>	<u>37,323</u>
<b>Creditors: amounts falling due after one year</b>	15	1,723	2,330
<b>Provisions for liabilities</b>	17	-	81
<b>Net assets</b>		<u>16,322</u>	<u>34,912</u>
<b>Capital and reserves</b>			
Share capital	18	3,225	3,225
Profit and loss account		12,750	31,368
Translation reserve		347	319
<b>Equity shareholder's funds</b>		<u>16,322</u>	<u>34,912</u>

The notes on pages 13 to 32 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 17 December 2021.



.....  
C Thompson  
Director

## Notes to the financial statements

at 31 December 2020

### 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 2020 were authorised for issue by the board of directors on 17 December 2021 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 to consider the outlook and financial situation of the immediate parent, as well as the ultimate parent, Petrofac Limited, and the Petrofac Group.

As disclosed in Petrofac Limited's annual report for the year ended 31 December 2020, its consolidated net assets as at 31 December 2020 amount to \$440m (31 December 2019: \$914m), and its consolidated total assets at 31 December 2020 amounts to \$4,201m (31 December 2019: \$5,976m). In addition, as disclosed in Petrofac Limited's interim financial statements for the six-month period ended 30 June 2021, its consolidated net assets as at 30 June 2021 amounts to \$366m, and its consolidated total assets at 30 June 2021 amounts to \$4,355m. In support of the continued use of the going concern basis of accounting for the interim financial statements for the six-month period ended 30 June 2021, the directors of Petrofac Limited performed a robust going concern assessment for the period to 31 December 2022 (Assessment Period) which took into account the Group's liquidity position and a range of severe but plausible downside scenarios. The directors of Petrofac Limited also evaluated potential events and conditions during the period beyond the Assessment Period, to 31 December 2022, that may cast significant doubt on the going concern assessment, concluding that there were no other such events or conditions.

Based on this comprehensive assessment, the directors of Petrofac Limited concluded that the continued use of the going concern basis of accounting in preparing the Group's interim financial statements for the six-month period ended 30 June 2021 remains appropriate. If the ultimate parent is unable to continue as a going concern, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

## Notes to the financial statements

at 31 December 2020

### 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 2020.

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*

No new International Financial Reporting Standards (IFRS) were adopted by the Company for the financial year beginning 1 January 2020. Several amendments to IFRS were applied for the first time in 2020 but did not have an impact on the Financial Statements of the Company.

## Notes to the financial statements

at 31 December 2020

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

#### 2.3 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:

#### 2.3 Significant accounting judgements and estimates *(continued)*

##### **Estimation uncertainty (continued)**

- 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.

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.



## Notes to the financial statements

at 31 December 2020

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

#### 2.4 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. 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

## Notes to the financial statements

at 31 December 2020

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

#### 2.4 Significant accounting policies *(continued)*

item of property, plant and equipment is included in the other operating income line item in the income statement when the asset is derecognised.

##### **Intangible assets**

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 of intangible assets is included in the selling, general and administration expenses line item of the income statement at the following rates:

Computer software	- 3 years
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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 whenever there is an indication that the asset may be impaired.

##### **Impairment of non-current assets (excluding goodwill)**

At each reporting date, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets 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.

##### **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:

## Notes to the financial statements

at 31 December 2020

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

#### 2.4 Significant accounting policies *(continued)*

- 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 counter party. The probability of default data for the counter party 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 2019, 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, 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.

## Notes to the financial statements

at 31 December 2020

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

#### 2.4 Significant accounting policies *(continued)*

##### **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 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.

## Notes to the financial statements

at 31 December 2020

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

#### 2.4 Significant accounting policies *(continued)*

##### **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.

##### **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

## Notes to the financial statements

at 31 December 2020

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

#### 2.4 Significant accounting policies *(continued)*

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.

##### **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

## Notes to the financial statements

at 31 December 2020

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

#### 2.4 Significant accounting policies *(continued)*

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, within property, plant and equipment line item of the balance sheet, 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.

#### **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

## Notes to the financial statements

at 31 December 2020

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

#### 2.4 Significant accounting policies *(continued)*

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.

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.



## Notes to the financial statements

at 31 December 2020

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

#### 2.4 Significant accounting policies *(continued)*

##### *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:

	2020 £000	2019 £000
<b>Continuing operations</b>		
Rendering of services	279	561
Turnover from continuing operations	<u>279</u>	<u>561</u>

The Company's turnover and profit on ordinary activities before taxation are derived principally from the operations of the Company in Europe (2019: Europe).

An analysis of turnover by geographical market is shown below:

	2020 £000	2019 £000
Americas	-	19
Europe	279	542
	<u>279</u>	<u>561</u>

## Notes to the financial statements

at 31 December 2020

### 4. Operating (loss) / profit

This is stated after charging/(crediting):

	2020 £000	2019 £000
Depreciation of owned fixed assets	208	143
Lease expense		
- land and buildings	-	(19)
Net loss / (gain) on foreign currency translation	(26)	51

### 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.

	2020 £000	2019 £000
Audit of the financial statements	25	25

### 6. Staff costs

	2020 £000	2019 £000
Wages and salaries	128	124
Social security costs	27	27
Staff pension contributions	7	7
	162	158

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

	2020	2019
Operations	1	1
	1	1

Wages and salaries include nil for share-based payments (2019 - £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.

## Notes to the financial statements

at 31 December 2020

### 8. Interest receivable

	2020 £000	2019 £000
Other Group undertakings	32	149
Finance income	73	7
Total interest receivable and similar income	<u>105</u>	<u>156</u>

### 9. Interest payable

	2020 £000	2019 £000
Finance expense	93	109
Total interest payable and similar expense	<u>93</u>	<u>109</u>

### 10. Taxation

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

	2020 £000	2019 £000
<i>Current Income Tax:</i>		
Group relief payable	(183)	36
Adjustments in respect of prior years	(18)	(53)
Foreign tax charge	-	12
Total current tax (credit) / charge	<u>(201)</u>	<u>(5)</u>
<i>Deferred Tax:</i>		
Origination and reversal of temporary differences	-	143
Adjustments in respect of prior years	-	(143)
Total deferred tax	<u>-</u>	<u>-</u>
Total income tax (credit) / charge	<u>-</u>	<u>(5)</u>

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

## Notes to the financial statements

at 31 December 2020

### 10. Taxation (continued)

#### (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% (2019: 19%). The differences are reconciled below:

	2020 £000	2019 £000
(Loss) / Profit on ordinary activities before taxation	(1,319)	738
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19%)	(250)	140
Adjustments in respect of prior periods – current tax	(18)	(53)
Adjustments in respect of prior periods – deferred tax	-	(143)
Adjustments in respect of deferred tax previously recognised / unrecognised	-	143
Unrecognised deferred tax	1	(116)
Fixed asset timing difference	-	27
Income not taxable for tax purposes	-	(25)
Expenses not deductible for tax purposes	26	11
Tax rate change	(5)	(13)
Foreign PE exemption	45	24
Tax (credit) / charge for the period	201	(5)

#### (d) Change in Corporation Tax rate

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. The change in enacted tax rates has not impact these financial statements as no deferred taxes are recognised.

## Notes to the financial statements

at 31 December 2020

### 11. Tangible fixed assets

	<i>Furniture and office equipment</i>	<i>Leases</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>			
At 1 January 2020	253	737	990
Additions	-	349	349
Disposals	(107)	-	(107)
At 31 December 2020	<u>146</u>	<u>1,086</u>	<u>1,232</u>
<i>Depreciation and impairment:</i>			
At 1 January 2020	246	134	380
Provided during the year	5	203	208
Disposals	(107)	-	(107)
At 31 December 2020	<u>144</u>	<u>337</u>	<u>481</u>
<i>Carrying amount:</i>			
At 31 December 2020	<u>2</u>	<u>749</u>	<u>751</u>
At 1 January 2020	<u>7</u>	<u>603</u>	<u>610</u>

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

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Trade receivables	116	200
Amounts owed by Group undertakings	16,563	38,868
Other debtors	284	792
Prepayments, accrued income and rent deposits	78	92
Group relief receivable	146	-
Foreign tax receivable	111	196
Lease receivable	131	189
VAT recoverable	581	572
	<u>18,010</u>	<u>40,909</u>

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The 2019 lease receivable balance of £482,000 has been reclassified for presentation purposes to 'Trade and other receivables: amounts receivable after one year' (note 13).

On 21 December 2020, the Company took part in an intra-group rationalisation exercise being conducted by Petrofac Limited, under the direction of the common parent, Petrofac Limited, the Company subsequently wrote off £17,500,000 due to it under the loan due to be repaid to the Company from another Group company, PFML, which was treated as a distribution. No further distributions were made up to the signing of date of these financial statements.

## Notes to the financial statements

at 31 December 2020

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

	2020	2019
	£000	£000
Lease receivable	246	482
	<u>246</u>	<u>482</u>

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

	2020	2019
	£000	£000
Trade payables	120	237
Amounts owed to Group undertakings	293	4,184
Other taxation and social security costs	-	92
Accruals	101	1
Lease liability (note 16)	788	651
Other creditors	-	26
Group relief payable	-	36
	<u>1,302</u>	<u>5,227</u>

### 15. Creditors: amounts falling due after one year

	2020	2019
	£000	£000
Lease liability (note 16)	1,723	2,330
	<u>1,723</u>	<u>2,330</u>

## Notes to the financial statements

at 31 December 2020

### 16. Leases

The Company has lease contracts for property, plant and equipment. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

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

The Company recognises right-of-use assets, within property, plant and equipment line item of the balance sheet, 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:

	<b>£'000</b>
At 1 January 2020	2,981
Additions	534
Interest	79
Payments made by the Company	(1,083)
At 31 December 2020	<u>2,511</u>

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

	<i>2020</i> £'000	<i>2019</i> £'000
Finance expense recognised associated with lease liabilities	79	109
Finance income recognised associated with the sublease	(73)	(7)
Depreciation charge in respect of right-of-use assets	203	134

## Notes to the financial statements

at 31 December 2020

### 16. Leases (continued)

#### (d) Future lease payments

Set out below are the future lease payments in respect of leases for property, plant and equipment. 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 2020 are as follows:

#### 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>2,889</u>	<u>161</u>	<u>2,511</u>

#### At 31 December 2019

	<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	739	88	651
After one year but not more than five years	2,467	138	2,330
	<u>3,206</u>	<u>226</u>	<u>2,981</u>

### 17. Provisions for liabilities

	<i>Onerous Lease Provisions £'000</i>
At 1 January 2020	<u>81</u>
Utilised in year	<u>(81)</u>
At 31 December 2020	<u>-</u>



## Notes to the financial statements

at 31 December 2020

### 18. Allotted, called up and fully paid share capital

	2020 <i>Number of shares</i>	2019 <i>Number of shares</i>	2020 <i>£000</i>	2019 <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

### 19. 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, 44 Esplanade, St Helier, Jersey, JE4 9WG or can be downloaded at [www.petrofac.com](http://www.petrofac.com).