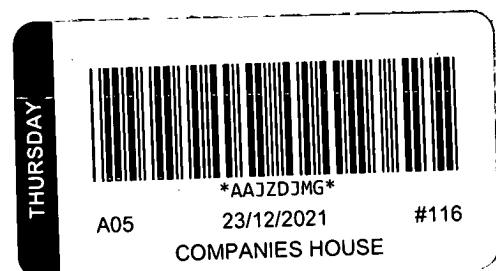


Registered No: 04842802

## **Petrofac Services Limited**

Report and Financial Statements

31 December 2020



**Petrofac Services Limited**

Registered No: 04842802

**Directors**

S Iskander  
A Reis e Sousa

**Secretary**

A Broughton

**Auditors**

Ernst & Young LLP  
4th Floor  
2 Marischal Square  
Broad Street  
Aberdeen  
AB10 1BL

**Registered office**

117 Jermyn Street  
London  
SW1Y 6HH

## Petrofac Services Limited

Registered No: 04842802

### Strategic report

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

#### Principal activities and review of the business

The principal activity of Petrofac Services Limited (the "Company") is the provision of management services to other companies within the Petrofac Limited group (the "Group") in order to assist those companies in the pursuit of the Group's global business objectives.

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

	2020 £000	2019 £000	Change %
Turnover	43,601	55,202	(21%)
Operating (Loss) / Profit	(1,552)	5,131	(130%)
Loss after tax	(4,323)	(575)	652%
Shareholder's funds	16,357	20,680	(21%)
<hr/>			
Current assets as a percentage of current liabilities	70%	70%	
Average number of employees	79	96	

Headcount was further reduced during 2020 by 18% (2019: 4%) driving a reduction in operating costs and revenue. Operating profit margin was lower than prior years largely as a result of increased expected credit losses in the year.

There was a loss after tax of \$4,323,000 (2019: \$575,000) largely as a result of lower operating profits partially offset by lower separately disclosed restructuring costs.

During the year, the Company continued to invest in capital expenditure on behalf of the Group to enhance the Group's digital capabilities and cloud-based Enterprise Resource Planning ("ERP") system. The ERP system went live for part of the Group in November 2020 and some of the digital assets were also deployed in the year. The investment will be recovered from other Group companies over the useful life of the assets.

#### Future developments

The directors remain committed to a strategy of providing the services of skilled personnel to other Group companies, at a competitive cost, to assist them in executing the Group's strategic plans.

#### Principal risks and uncertainties

The Company is reliant on the continued operations of the wider Group. The Group's key risks and uncertainties, as they apply to the services provided by the Company, and those of the Company 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.

## Petrofac Services Limited

Registered No: 04842802

### **Strategic report** (continued)

#### **Principal risks and uncertainties** (continued)

- **Oil Price**

Volatility in oil and gas prices could influence the level of investment in the industry and, hence, the demand for the Group's services, particularly engineering and construction. The broad portfolio of services will help mitigate some of this, but oil price continues to be a significant factor affecting activity within our industry.

- **Ability to attract and retain skilled personnel**

The Company remains confident that its efforts to promote and reward on merit, its continued employee share ownership, management and technician training programmes and recruitment strategies, involvement in world-class projects and its exciting prospects will enable it to retain and attract the necessary skilled personnel to achieve its growth targets.

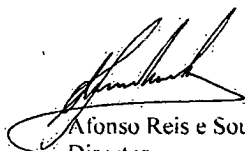
- **Health and Safety**

The Group and the Company conduct their operations within a strict health and safety regime. Failure to comply with the relevant regulations could adversely affect their 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.

- **COVID-19**

Following the outbreak of COVID-19 in 2020, the company, along with the wider oil industry, witnessed unprecedented macro-economic uncertainty. The scale, duration and impact of the global pandemic, combined with the sharp downward trend in oil price, remains unclear and could continue to have an impact on the company over the next twelve months.

On behalf of the board



Afonso Reis e Sousa  
Director  
21 December 2021

## Petrofac Services Limited

Registered No: 04842802

### 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 £4,323,000 (2019: £575,000). The directors do not recommend the payment of any dividends (2019: £nil).

#### Directors

The directors who served the Company during the year or at the time of signing the report were as follows:

Ayman Asfari	(resigned 31 December 2020)
Alastair Cochran	(resigned 12 August 2021)
Sami Monir Amin Iskander	(appointed 1 January 2021)
Afonso Reis e Sousa	(appointed 12 August 2021)

#### 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 Company had net assets at 31 December 2020, however, the recoverability of the assets is dependent on the continued activities of the wider Group in which the Company operates to pay for services provided by the Company. The Company had net current liabilities of £33,918,000 at 31 December 2020 and the directors have received written confirmation that Petrofac Limited (the immediate and ultimate parent company) will continue to provide support to enable the Company 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 parent company, as well as the 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 amounted to \$440m (31 December 2019: \$914m), and its consolidated total assets at 31 December 2020 amounted 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 amounted to \$366m, and its consolidated total assets at 30 June 2021 amounted 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 October 2022 (the "Assessment Period") which has taken 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 parent company 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.

The directors are satisfied that the parent company has the ability to provide the support it has pledged to the Company. Given this continued parental support, the directors deem it appropriate to prepare the financial statements of the Company on the going concern basis. These accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company was unable to continue as a going concern.

#### Post balance sheet events

Details of post balance sheet events are set out in note 22 to the financial statements.

Petrofac Services Limited

Registered No: 04842802

**Directors' report (continued)**

**Disclosure of information to the auditors**

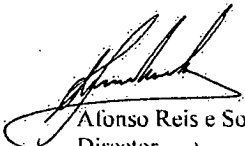
The directors who were members of the board at the time of approving the Directors' report are listed above. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- 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



Afonso Reis e Sousa  
Director  
21 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.

## Petrofac Services Limited

### **Independent Auditors' report to the members of Petrofac Services Limited**

#### **Opinion**

We have audited the financial statements of Petrofac Services Limited for the year ended 31 December 2020 which comprise the Income statement, the Statement of comprehensive income, the Statement of changes in equity, the Statement of financial position and the related notes 1 to 21, 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 Services Limited (continued)

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

In 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.

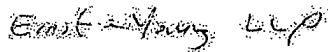
## Petrofac Services Limited

- 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.



Colin Brown (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
21 December 2021

Petrofac Services Limited

**Income statement**

For the year ended 31 December 2020

	<i>Notes</i>	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
<b>Turnover</b>	3	43,601	55,202
Cost of sales		<u>(45,153)</u>	<u>(50,071)</u>
<b>Operating (Loss) / Profit</b>	4	(1,552)	5,131
Interest payable and similar costs	8	(1,271)	(787)
Separately disclosed items	6	<u>(821)</u>	<u>(3,373)</u>
<b>(Loss) / Profit on ordinary activities before taxation</b>		(3,644)	971
Tax charge on (loss) / profit on ordinary activities	9	<u>(679)</u>	<u>(1,546)</u>
<b>Loss for the financial year</b>		<u>(4,323)</u>	<u>(575)</u>

All activities relate to continuing operations.

**Statement of comprehensive income**

For the year ended 31 December 2020

	<i>2020</i> <i>£000</i>	<i>2019</i> <i>£000</i>
<b>Loss for the financial year</b>	<u>(4,323)</u>	<u>(575)</u>
<b>Total comprehensive income for the year</b>	<u>(4,323)</u>	<u>(575)</u>

Petrofac Services Limited

**Statement of changes in equity**

For the year ended 31 December 2020

	<i>Share capital</i>	<i>Other Reserves</i>	<i>Retained Earnings</i>	<i>Total Equity</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<b><i>At 31 January 2019</i></b>	-	80	21,175	21,255
Loss for the financial year	-	-	(575)	(575)
Tax on share-based payments	-	-	-	-
Share-based payment expense	-	-	2,591	2,591
Funding of share-based payment expense	-	-	(2,591)	(2,591)
<b><i>At 31 December 2019</i></b>	-	80	20,600	20,680
Loss for the financial year	-	-	(4,323)	(4,323)
Tax on share-based payments	-	-	-	-
Share-based payment expense	-	-	2,325	2,325
Funding of share-based payment expense	-	-	(2,325)	(2,325)
<b><i>At 31 December 2020</i></b>	-	80	16,277	16,357

Petrofac Services Limited

Registered No: 04842802


**Statement of financial position**

As at 31 December 2020

	Notes	2020 £000	2019 £000
<b>Fixed assets</b>			
Intangible assets	10	45,428	32,583
Tangible fixed assets	11	3,950	4,522
Deferred tax assets	12	2,015	1,725
		<u>51,393</u>	<u>38,830</u>
<b>Current assets</b>			
Trade and other receivables	13	78,691	40,810
Cash at bank		454	1,063
		<u>79,145</u>	<u>41,873</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	14	(113,063)	(60,023)
<b>Net current liabilities</b>		<u>(33,918)</u>	<u>(18,150)</u>
<b>Creditors: amounts falling due after one year</b>			
Lease liability	17	(961)	-
Provisions for liabilities	18	(157)	-
<b>Net assets</b>		<u>16,357</u>	<u>20,680</u>
<b>Capital and reserves</b>			
Called up share capital	20	-	-
Other reserves		80	80
Retained earnings		16,277	20,600
<b>Total equity</b>		<u>16,357</u>	<u>20,680</u>

The notes on pages 13 to 29 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 21 December 2021.

  
 Alonzo Reis e Sousa  
 Director  
 21 December 2021

## Notes to the financial statements

For the year ended 31 December 2020

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

The financial statements of Petrofac Services Limited (the "Company") for the year ended 31 December 2020 were authorised for issue by the board of directors on 21 December 2021 and the statement of financial position was signed on the board's behalf by Afonso Reis e Sousa. Petrofac Services 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 Company had net assets at 31 December 2020, however, the recoverability of the assets is dependent on the continued activities of the wider Group in which the Company operates to pay for services provided by the Company. The Company had net current liabilities of £33,918,000 at 31 December 2020 and the directors have received written confirmation that Petrofac Limited (the immediate and ultimate parent company) will continue to provide support to enable the Company 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 parent company, as well as the 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 amounted to \$440m (31 December 2019: \$914m), and its consolidated total assets at 31 December 2020 amounted 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 amounted to \$366m, and its consolidated total assets at 30 June 2021 amounted 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 October 2022 (the "Assessment Period") which has taken 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 parent company 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.

The directors are satisfied that the parent company has the ability to provide the support it has pledged to the Company. Given this continued parental support, the directors deem it appropriate to prepare the financial statements of the Company on the going concern basis. These accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Company was unable to continue as a going concern.

### 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 that 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:

## Notes to the financial statements

For the year ended 31 December 2020

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

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 *Share based payment*, provided that for a qualifying company that is:
  - a subsidiary, the share-based payment arrangement concerns equity instruments of another Group company;
  - an ultimate parent, the share-based payment concerns its own equity instruments, and its separate financial statements are presented alongside the consolidated financial statements of the Group,

and in both cases, provided that equivalent disclosures are included in the consolidated financial statements of the Group in which the 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 paragraph 50 of IAS 41 *Agriculture*.
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements*.
- The requirements of IAS 7 *Statement of Cash Flows*.
- The requirements of 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 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.
- The requirement of second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 *Revenue from Contracts with Customers*.
- Exemption from the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 *Leases*.
- Exemption from the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

## Notes to the financial statements

For the year ended 31 December 2020

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

#### 2.2 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:

##### *Impairment of assets*

An assessment is made on intangible assets and tangible fixed 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:

- **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. The carrying amount of deferred tax assets at 31 December 2020 was £2,015,000 (2019: £1,725,000).
- **Income tax:** the Company is subject to tax audits and assessments including processes whereby tax return filings are discussed and agreed with the tax authority. 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.

#### 2.3 Significant accounting policies

##### *Revenue from contracts with customers*

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



## Notes to the financial statements

For the year ended 31 December 2020

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

#### 2.3 Significant accounting policies (continued)

##### *Tangible fixed assets*

Tangible fixed assets are measured at cost less accumulated depreciation and accumulated impairment charges. Cost comprises the purchase price and any costs directly attributable to making that asset capable of operating as intended. The purchase price 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:

Leasehold improvements      - over the lease term

Plant and equipment          - 1 to 5 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.

##### *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 cost of sales line item of the income statement is provided over the period as follows:

Software                              - 3 to 5 years

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

##### *Impairment of non-current assets*

At each reporting date, the Company reviews the carrying amounts of its tangible fixed assets 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 a pre-tax discount rate to discount pre-tax cash flows and a post-tax discount rate to discount post-tax cash flows.

##### *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.

##### *Initial recognition and measurement*

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

## Notes to the financial statements

For the year ended 31 December 2020

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

#### 2.3 Significant accounting policies (continued)

The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets. A financial asset is measured at amortised cost if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Amortised cost is the only category relevant to the Company and generally applies to trade and other receivables.

Financial assets at amortised cost are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset.

##### *Subsequent measurement*

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.

##### *Impairment of financial assets*

The impairment requirements for expected credit losses are applied to financial assets measured at amortised cost. If the credit risk on the financial asset has increased significantly since initial recognition, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. In other instances, the loss allowance for the financial asset is measured at an amount equal to the twelve month expected credit losses (ECLs). Changes in loss allowances are recognised in profit and loss. For trade debtors that do not contain a significant financing component, the simplified approach is applied recognising expected lifetime credit losses from initial recognition.

##### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL, such as instruments held for trading, or the Company has opted to measure them at FVTPL. Trade creditors are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. The Company has not designated any financial liability that is required to be measured at fair value through profit or loss.

##### *Subsequent measurement*

For purposes of subsequent measurement, the only category relevant to the Company is loans and borrowings. This category generally applies to trade creditors and amounts owed to Group undertakings. After initial recognition, trade creditors and amounts owed to Group undertakings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised 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.

##### *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;
- 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.

## Notes to the financial statements

For the year ended 31 December 2020

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

#### 2.3 Significant accounting policies (continued)

##### *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 statement of financial position 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.

##### *Share-based payments*

Employees (including directors) of the Company receive remuneration in the form of share-based payment, whereby employees render services in exchange for shares or rights over shares ('equity settled transactions').

##### *Equity-settled transactions*

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognised in the cost of sales line item in the income statement, together with a corresponding increase in other reserves in the statement of financial position, over the period in which the relevant employees become entitled to the award (the 'vesting period'). The cumulative expense recognised for equity-settled transactions at the end of the reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised from the beginning to the end of the reporting period.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested, irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

##### *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 or other Group companies where Group Relief is available. 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 Statement of financial position date.

Deferred tax is recognised on all temporary differences at the Statement of financial position 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:

## Notes to the financial statements

For the year ended 31 December 2020

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

#### 2.3 Significant accounting policies (continued)

- 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 statement of financial position 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 Statement of financial position 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 statement of financial position 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 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.

#### *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 the 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 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.

## Notes to the financial statements

For the year ended 31 December 2020

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

#### 2.3 Significant accounting policies (continued)

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 line item 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.

Each company determines its own functional currency and items included in the financial statements of each company 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 in 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.

##### *Separately disclosed items*

The Company presents as separately disclosed items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

## Notes to the financial statements

For the year ended 31 December 2020

### 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.

Revenue recognised in the income statement is analysed as follows:

	2020 £000	2019 £000
Rendering of services	43,601	55,202
Revenue from continuing operations	<u>43,601</u>	<u>55,202</u>

The Company's revenue and profit on ordinary activities before taxation are derived principally from the operations of the Company in the United Kingdom and Middle East.

An analysis of revenue by geographical market is shown below:

	2020 £000	2019 £000
Middle East	21,053	23,057
UK	20,834	29,427
Asia & Australia	1,319	1,637
US & Americas	371	1,045
Europe	24	36
	<u>43,601</u>	<u>55,202</u>

### 4. Operating Profit/(Loss)

This is stated after charging /(crediting):

	2020 £000	2019 £000
Amortisation of intangible assets	4,863	1,069
Depreciation of owned fixed assets	2,725	4,253
Exchange gain on foreign currency translation	<u>(1,429)</u>	<u>(2,165)</u>

### 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	<u>35</u>	<u>17</u>

## Notes to the financial statements

For the year ended 31 December 2020

### 6. Separately disclosed items

	2020 £000	2019 £000
Restructuring costs	474	2,723
Redundancy costs	347	650
	<u>821</u>	<u>3,373</u>

### 7. Staff costs and directors' remuneration

#### (a) Staff costs

	2020 £000	2019 £000
Wages and salaries	14,389	19,444
Social security costs	1,874	2,502
Staff pension contributions (note 15)	526	794
	<u>16,789</u>	<u>22,740</u>

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

	2020 No.	2019 No.
Management and administration	<u>79</u>	<u>96</u>

Included in wages and salaries is a total expense of £2,325,000 for share-based payments (2019: £2,591,000), all of which arises from transactions accounted for as equity-settled share-based payment transactions.

#### (b) Directors' remuneration

	2020 £000	2019 £000
Aggregate emoluments including benefits in kind	<u>1,306</u>	<u>2,047</u>
In respect of the highest paid director:		
	2020 £000	2019 £000
Aggregate emoluments including benefits in kind	<u>784</u>	<u>1,084</u>

### 8. Interest payable and similar costs

	2020 £000	2019 £000
Bank	1	2
Other Group undertakings	1,245	774
Finance leases	25	11
Total finance expense	<u>1,271</u>	<u>787</u>

## Notes to the financial statements

For the year ended 31 December 2020

### 9. Taxation

(a) Tax charge in the income statement

	2020 £000	2019 £000
<i>Current Income Tax:</i>		
Group relief payable	969	1,397
Amounts under provided in previous years	-	623
Total current income tax charge	969	2,020
<i>Deferred Tax:</i>		
Origination and reversal of temporary differences	(87)	(142)
Amounts over provided in previous years	-	(332)
Effect of tax rate change	(202)	-
Total deferred tax	(289)	(474)
Tax charge in the income statement	679	1,546

(b) There are no tax related items charged or credited to other comprehensive income.

(c) Reconciliation of the total tax charge

The tax expense in the income statement for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19 %). The differences are reconciled below:

	2020 £000	2019 £000
(Loss) / Profit before tax	(3,644)	971
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19 %)	(692)	184
Effects of:		
Expenses not deductible for tax purposes	1,221	637
Share-based payments	353	245
Adjustments to tax charge in respect of previous periods	-	291
Tax rate change	(203)	17
Other permanent differences	-	172
Total tax charge reported in the income statement	679	1,546

(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 rate was subsequently increased to 25% with effect from 1 April 2023 in the Budget of March 2021 and this rate change was substantively enacted on 24 May 2021.



## Notes to the financial statements

For the year ended 31 December 2020

### 9. Taxation (continued)

#### (e) Deferred tax

The deferred tax included in the Company statement of financial position is as follows:

	2020	2019
	£000	£000
<i>Deferred tax asset</i>		
Decelerated capital allowances	1,318	881
Share-based payment	689	844
Other temporary differences	8	-
	<u>2,015</u>	<u>1,725</u>
<i>Disclosed on the statement of financial position</i>		
Deferred tax asset (note 12)	<u>2,015</u>	<u>1,725</u>
	<u>2,015</u>	<u>1,725</u>

Deferred tax was valued at 19% (2019: 19%).

### 10. Intangible assets

	<i>Software</i>
	£000
<i>Cost:</i>	
At 1 January 2020	36,563
Additions	<u>17,708</u>
At 31 December 2020	<u>54,271</u>
<i>Accumulated amortisation:</i>	
At 1 January 2020	3,980
Amortisation during the year	<u>4,863</u>
At 31 December 2020	<u>8,843</u>
<i>Carrying amount:</i>	
At 31 December 2020	<u>45,428</u>
At 1 January 2020	<u>32,583</u>

## Notes to the financial statements

For the year ended 31 December 2020

### 11. Tangible fixed assets

	<i>Leases</i>	<i>Plant and equipment</i>	<i>Leasehold improvements</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
<i>Cost:</i>				
At 1 January 2020	1,366	26,423	1,115	28,904
Additions	1,544	360	249	2,153
Disposals	(1,046)	-	-	(1,046)
At 31 December 2020	<u>1,864</u>	<u>26,783</u>	<u>1,364</u>	<u>30,011</u>
<i>Accumulated depreciation:</i>				
At 1 January 2020	1,093	22,196	1,093	24,382
Provided during the year	563	2,116	46	2,725
Disposals	(1,046)	-	-	(1,046)
At 31 December 2020	<u>610</u>	<u>24,312</u>	<u>1,139</u>	<u>26,061</u>
<i>Carrying amount:</i>				
At 31 December 2020	<u>1,254</u>	<u>2,471</u>	<u>225</u>	<u>3,950</u>
At 1 January 2020	<u>273</u>	<u>4,227</u>	<u>22</u>	<u>4,522</u>

### 12. Deferred tax assets

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Deferred taxation (note 9(e))	<u>2,015</u>	<u>1,725</u>

The deferred tax asset has been presented as an amount fully receivable after one year.

### 13. Trade and Other Receivables

	<i>2020</i>	<i>2019</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by Group undertakings	2,974	27,196
Other taxes and social security costs	1,464	1,950
Other debtors	67,347	11,397
Prepayments and accrued income	<u>6,906</u>	<u>267</u>
	<u>78,691</u>	<u>40,810</u>

Amounts owed by Group undertakings are unsecured, interest free and are repayable on demand.

## Notes to the financial statements

For the year ended 31 December 2020

### 14. Trade and Other Payables

	2020	2019
	£000	£000
Trade creditors	2,998	3,342
Amounts owed to Group undertakings	102,570	45,067
Other taxes and social security costs	322	927
Accruals	2,869	6,640
Income tax payable	3,573	3,523
Lease liability	411	204
Provision for liabilities	320	320
	<u>113,063</u>	<u>60,023</u>

### 15. Pensions

The pension cost charge (note 7) represents contributions payable by the Company to the Group defined contribution scheme and employees' personal pension arrangements. Contributions totalling £40,000 (2019: £55,000) were payable to the scheme at the year-end and were included within accruals.

### 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.

The Company applied the available practical expedients wherein it:

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

#### (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). 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.

## Notes to the financial statements

For the year ended 31 December 2020

### 16. Leases (continued)

#### (b) Lease liabilities

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

	£'000
Lease liabilities at 1 January 2020	212
New lease – Apr 1 <sup>st</sup> 2020	1,349
Interest	23
Payments made by the Company	(212)
At 31 December 2020	<u>1,372</u>

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

	£'000
Depreciation charge in respect of right-of-use assets	563
Finance expense recognised associated with lease liabilities	23

#### (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 less than one year. The undiscounted future minimum rental commitments under these non-cancellable leases as at 31 December 2020 are as follows:

	<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	439	28	411
After one year	<u>988</u>	<u>27</u>	<u>961</u>
	<u>1,427</u>	<u>55</u>	<u>1,372</u>

The Company applied IFRS 16 retrospectively, using the modified retrospective method. Accordingly, in accordance with the requirements of IFRS 16 'Leases', the comparative information for the above lease disclosures was not presented.

### 17. Lease liability

	<i>Lease liability</i>
	£000
At 1 January 2020	-
Charged during the year	<u>961</u>
At 31 December 2020	<u><u>961</u></u>

Lease liability; amounts falling due after one year

## Notes to the financial statements

For the year ended 31 December 2020

### 18. Provisions for liabilities

	<i>Dilapidation provision</i>
	<i>£000</i>
At 1 January 2020	-
Charged during the year	157
At 31 December 2020	157

A dilapidations provision is held at the year end to repair or redecorate the properties at the end of the leases, per the lease agreements.

### 19. Share Based Payment Plans

#### Performance Share Plan (PSP)

Under the PSP, share awards are granted to Executive Directors and a restricted number of other senior executives of the Group. The shares vest at the end of three years subject to continued employment and the achievement of certain pre-defined market and non-market-based performance conditions. The 70% market performance-based part of these awards is dependent on the total shareholder return (TSR) of the Group compared with an index composed of selected relevant companies. The fair value of the shares vesting under this portion of the award is determined by an independent valuer using a Monte Carlo simulation model, taking into account the terms and conditions of the plan rules. The Company has taken advantage of IFRS 2 *Share based payment* disclosure exemptions under FRS 101, per note 2.1.

#### Deferred Bonus Share Plan (DBSP)

Under the DBSP, selected employees are required to defer a proportion of their annual cash bonus into Petrofac Limited shares ('Invested Award'). Following such an award, Petrofac Limited will generally grant the participant an additional award of a number of shares bearing a specified ratio to the number of his or her invested shares ('Matching Shares'), typically using a 1:1 ratio. Subject to a participant's continued employment, invested and matching share awards vest one-third on the first anniversary of the grant, one-third on the second anniversary and the final proportion on the third anniversary.

At the year end, the values of the bonuses settled by shares cannot be determined until the Petrofac Limited Remuneration Committee has approved the portion of the employee bonuses to be settled in shares. Once the portion of the bonus to be settled in shares is determined, the final bonus liability to be settled in shares is transferred to the reserve for the share-based payments. The costs relating to the Matching Shares are recognised over the corresponding vesting period and the fair values of the equity-settled Matching Shares granted to employees are based on the quoted closing market price at the date of grant with the charge adjusted to reflect the expected vesting rate of the plan. The Company has taken advantage of IFRS 2 *Share based payment* disclosure exemptions under FRS 101, per note 2.1

#### Share Incentive Plan (SIP)

All UK employees, including UK directors, are eligible to participate in the SIP. Employees may invest up to £1,800 per tax year of gross salary (or, if lower, 10% of salary) to purchase ordinary shares in Petrofac Limited. There is no holding period for these shares.

#### Restricted Share Plan (RSP)

Under the RSP, selected employees are made grants of shares on an ad hoc basis. The RSP is used primarily, but not exclusively, to make awards to individuals who join the Group part way through the year, having left accrued benefits with a previous employer. Awards are also made for retention reasons. The fair values of the awards granted under the RSP at various grant dates during the year are based on the quoted market price at the date of grant adjusted for an assumed vesting rate over the relevant vesting period. The Company has taken advantage of IFRS 2 *Share based payment* disclosure exemptions under FRS 101, per note 2.1

## Notes to the financial statements

For the year ended 31 December 2020

### 20. Called up share capital

	2020	2019	2020	2019
	No.	No.	£	£
Allotted, called up and fully paid				
ordinary shares of £1 each	1	1	1	1

### 21. Ultimate Group undertaking

The Company is an immediate subsidiary undertaking of Petrofac Limited, a company incorporated in Jersey, which is 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).

### 22. Post balance sheet events

After the balance sheet date, the Company was notified of a claim filed in the High Court relating to a disputed supplier invoice which the Company has not settled. The Company continues to defend its position through the court process. The maximum potential exposure to the Company should it be unsuccessful is approximately £20 million. This is a non-adjusting post balance sheet event.

In April 2021, an IFRIC agenda decision was issued in relation to the accounting treatment for configuration and customisation costs in a cloud computing arrangement. This guidance clarified that in order for an intangible asset to be capitalised in relation to customisation and configuration costs in a software-as-a-service (SaaS) arrangement, it is necessary for there to be control of the underlying software asset or for there to be a separate intangible asset which meets the definition in IAS 38 Intangible Assets. The Group's existing policy is to capitalise such customisation and configuration costs.

In 2018, the Group commenced a multiyear implementation of a cloud-based ERP and human capital management tool. The process of assessing the financial reporting impact of this agenda decision on this implementation is currently underway and any change in the Company's accounting policy is expected to be reflected in the financial statements for the year ending 31 December 2021, when the full impact has been determined. The Company has deemed this to be a reasonable timeframe to implement this clarified guidance given the complexities involved in this implementation as permitted by the Due Process Handbook of the IFRS Foundation and the potential accounting implications.

As at 31 December 2020, the Group has recorded an intangible asset with a net book value of approximately £22 million associated with this ERP implementation of which net additions of £10 million (additions less amortisation charge) were recorded in the current year.

This agenda decision may result in some, or all, of these costs and any further implementation costs being expensed.