

**Halliburton Manufacturing and Services Limited**

**Annual report and financial statements**

**Registered number 00611451**

**31 December 2021**



## Contents

Strategic report	1
Directors' report	5
Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements	6
Independent auditor's report to the members of Halliburton Manufacturing and Services Limited	7
Profit and Loss Account and Other Comprehensive Income	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes	13

## Strategic Report

### Principal activities

The principal activities of the company continue to be the supply of materials, services and equipment for gas and oil well installation.

### Business model

Our business strategy is to secure a distinct and sustainable competitive position as an oilfield service company by delivering services and products that enable our customers to extract proven reserves and maximize recovery. Our objectives are to:

- create a balanced portfolio of services and products supported by global infrastructure and anchored by technological innovation to further differentiate our company;
- reach a distinguished level of operational excellence that reduces costs and creates real value;
- preserve a dynamic workforce by being a preferred employer to attract, develop, and retain the best global talent; and
- uphold our strong ethical and business standards, and maintain the highest standards of health, safety, and environmental performance.

### Business review

The turnover for the year was £377,361,000 (2020: £414,364,000) and the profit before tax was £16,373,000 (2020: loss of £11,516,000). The prior year loss included impairment charges for tangible assets of £18,859,000 and depreciation and amortization charges which were £5,307,000 higher than the current year. No impairment charges have been recorded in the current year.

The company aims to grow the business by focusing on superior service quality and health and safety performance, investing in new equipment and facilities, continually developing our portfolio of products and services and ensuring that we attract and retain the best people in the industry.

### Key performance indicators

The directors consider that the long term success of the business is best measured through safety performance, sales growth, maintaining or improving operating margins and return on invested capital.

Safety performance is reported using industry-recognised measures recording Lost Time Accidents of 2 in 2021 (2020: 1) and a Lost Time Accident Frequency rate of 0.59 per 1,000,000 man-hours exposure in 2021 (2020: 0.25).

Sales growth, measured year on year decreased by 8.93 % in 2021 (2020: decreased 28.82%) due to decreased activity in the oil and gas market during the COVID-19 pandemic and period of lower oil prices, as well as decreased sales of manufactured product and the provision of services to overseas affiliates.

Operating margin, measured as operating profit as a percentage of revenue, increased to 4.91% (2020 decreased to (3.21)%). Operating margins increased in comparison with 2020 as a result of reduced impairment charges in the current year.

Return on invested capital, measured as operating profit as a percentage of net assets, was 4.60% in 2021 (2020: (4.6)%). The return on invested capital in 2021 increased due to increase in operating margin as described above.

In addition, the directors use a range of other measures to manage the performance of the business including health and safety, the environment, service quality and monitoring against budget.

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

### **Principal risks and uncertainties**

The management of the business and the execution of the company's strategy are subject to a number of risks.

Demand for our services is linked to the level of capital and operational expenditure of upstream oil and gas companies. Levels of expenditure are dependent upon a number of factors including oil and gas prices. We continually monitor the levels of activity in our markets and mitigate the risk by adjusting pricing and redeploying assets to other markets as appropriate.

The oil and gas industry in which Halliburton operates continued to be impacted from shutdowns and mitigation efforts related to the COVID-19 pandemic during 2021, though there are signs that business activity around the world continues to improve as a result of higher oil and gas prices since 2021. We expect international activity growth to maintain momentum and customer spending to increase in 2022 and 2023, led by operators with shorter-cycle production opportunities committing additional capital to meet increasing oil demand.

We operate in a competitive market where safe working, superior service quality and product development are key to our long term success. The company has put in place controls and processes to ensure that we operate safely and that we deliver quality products and services. As part of a global organization the company is able to leverage best practice and benefit from new products and technology.

Credit risk is managed through careful assessment of customer credit worthiness, a formal approval process to assign credit limits on each customer account and on-going monitoring of aged debt profiles.

The Company has closed its defined benefit scheme to new members and future accrual but continues to have financial risk in respect of deficit funding. The Company expects to contribute £13.0 m (2021: £12.5m) to the scheme in 2022. Further details are disclosed in note 20 to the financial statements.

### **Directors' Statement of Compliance with duty to promote the success of the Company**

The Directors must act in a way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole in accordance with section 172 of the UK Companies Act 2006. In doing so, have regard to matters such as, but not limited to:-

#### **a) The likely consequences of long term decisions**

The Directors continue to take a long term view on the business, continuously analysing market conditions and seeking growth or technological opportunities when and where they arise in order to strengthen the business portfolio.

#### **b) The interests of the company's employees**

The company prides itself on having a highly skilled, motivated workforce working in an industry where safety is paramount.

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. Employees are subject to regular reviews where employees have the opportunity to give feedback as well as to receive feedback.

The company operates a Defined Contribution Pension Scheme and also has a Defined Benefit Pension Scheme which is now closed to new members and further accrual. The company continues to fund the pension scheme.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes of the applicants concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

## Strategic report *(continued)*

### Directors' Statement of Compliance with duty to promote the success of the Company *(continued)*

#### c) **Business relationships with suppliers, customers and others**

The company's relationships with suppliers, customers and other parties are significant in maintaining the Halliburton brand with regards to quality and safety. The directors also consider the views and interests of other stakeholders relating to the company's business.

#### d) **Impact of the company's operations on the community and the environment**

The Directors have available information and data relating to all aspects of the business, to enable it to understand the company's operations and the interests and views of the key stakeholders, including the local community and environment.

The company has undertaken various energy efficiency measures to contribute to emission reduction initiatives. Details of energy usage and carbon emissions are set out below.

#### e) **Desirability of the company's maintaining a reputation for high standards of business conduct**

The Directors continue to review quality and safety in the workplace and ensure compliance under the Halliburton Code of Business Conduct.

#### f) **The need to act fairly between members of the company**

The board of directors participate in regular board meetings during which operational matters, strategy, business risks and legal and regulatory matters are discussed. These meetings enable the directors to keep abreast of the Company's operations and ongoing engagement with their stakeholders.

Directors will engage (either individually or together) directly with some of the stakeholders on certain issues. Other times, engagement will be at an operational level.

### **Energy usage and carbon emissions**

The Company's greenhouse gas emissions arise from the company's operations in the provision of oil and gas. UK energy use includes purchased electricity, gas and fuel for the company.

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013/20 introduced changes to required quoted companies to report their annual emissions and an intensity ratio in their Directors' Report. Subsequently, the 2018 Regulations introduced requirements for Large Unquoted Companies to disclose their annual energy use, greenhouse emissions and related information.

The Company's UK energy use was 17,814,425kWh (2020: 17,149,773 kWh) from direct and indirect usage (including from employee owned cars used for business travel). This energy use equates to the following levels of CO<sub>2</sub> emissions by source.

tCO <sub>2</sub> e	2021	2020
Liquid Fuels	361	390
Gas	1,727	1,351
Transport – direct	24	27
Transport – indirect	64	81
Electricity	1,423	1,842
	3,599	3,691
Energy intensity		
Tonne CO <sub>2</sub> per £m of sales of £377,361,000	9.54	8.91

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

### **Energy use (continued)**

The information in this energy use statement is based on our Streamlined Energy and Carbon Reporting (SERC). The company has taken guidance from the UK Government Environmental Reporting Guidelines (March 2019), the GHG Reporting Protocol - Corporate Standard, and from the UK Government GHG Conversion Factors for Company Reporting document for calculating carbon emissions

### **Subsequent events**

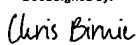
There are no other subsequent events which need disclosure or require adjustment.

### **Future developments and going concern**

The company intends to continue to execute on its business model as outlined above.

The financial statements have been prepared on a going concern basis as disclosed in note 1 to the financial statements.

Signed on behalf of the Board

DocuSigned by:  
  
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**Christopher A Birnie**  
*Director*

Building 4  
Chiswick Park  
566 Chiswick High Road  
London  
W4 5YE

21 September 2022

## Directors' report

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

Certain information including in respect of the company's principal activity, is not shown in the directors' report because it is shown in the strategic report instead under s414C(11).

### Proposed dividend

The directors do not recommend the payment of a dividend (2020: nil).

### Directors

The directors who held office during the year and up to the date of this report were as follows:

S Clifton	
A R Forster	
B Thomson	
C Frisk	(Appointed 1 February 2021)
C A Birnie	(Appointed 1 November 2021)
S Nowe	(Appointed 29 December 2021)
N C Wands	(Appointed on 1 August 2022)
O Oloyede	(Appointed 1 February 2021, resigned 8 July 2022)
S Morris	(Resigned 1 February 2021)
A Bartlett	(Resigned 1 February 2021)
W K E. Mekkawy	(Resigned 31 October 2021)
M White	(Resigned 29 December 2021)
P Cook	(Resigned 29 July 2022)

The company has a contract of insurance effectively indemnifying all directors of the company against all liabilities and expenses to the extent permitted by law. This policy was paid for by Halliburton Company, the ultimate parent of the company.

### Engagement with employees, suppliers, customers and others

Relationships with stakeholders are of strategic importance to the company and these matters are therefore dealt with in the strategic report (under section 172 obligations).

### Disclosure of energy consumption and emissions

Sustainability is of strategic importance to our company and these matters are therefore dealt with in the strategic report.

### Political contributions

The company made no political contributions or incurred any political expenditure during the year (2020 Nil).

### Financial instruments

Details of the company's financial instruments are disclosed in notes 14, 15 and 16 to the financial statements.

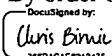
### Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

  
DocuSigned by:  
36581C1E0212475

**Christopher A Birnie**  
Director

Building 4, Chiswick Park  
566 Chiswick High Road  
London, W4 5YE

21 September 2022

## **Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.





## **Independent auditor's report to the members of Halliburton Manufacturing and Services Limited**

### **Opinion**

We have audited the financial statements of Halliburton Manufacturing and Services Limited ("the company") for the year ended 31 December 2021 which comprise of the profit and loss account and other comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease their operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

### **Fraud and breaches of laws and regulations – ability to detect**

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Halliburton Company's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.



## **Independent auditor's report to the members of Halliburton Manufacturing and Services Limited (*continued*)**

### **Fraud and breaches of laws and regulations – ability to detect (*continued*)**

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that revenue recognised over time is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries. We did not identify any additional fraud risks.

We performed procedures including:

- Agreeing revenue accrued at year end to evidence of goods delivered or services performed in the year.
- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unbalanced journals; revenue and cash journals posted to unrelated accounts; and journals without sufficient description, which may indicate high risk.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, employment and anti-bribery legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.



## **Independent auditor's report to the members of Halliburton Manufacturing and Services Limited (*continued*)**

### **Strategic report and Directors' report**

The directors are responsible for the Strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.

A handwritten signature in dark ink, appearing to read 'David Derbyshire'.

**David Derbyshire (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Marischal Square  
Broad Street  
Aberdeen, AB10 1DD  
United Kingdom

21 September 2022

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 December 2021*

	Note	2021 £000	2020 £000
Turnover	2	377,361	414,364
Cost of sales		(339,433)	(385,604)
<b>Gross profit</b>		<b>37,928</b>	<b>28,760</b>
Operating expenses	3	(33,137)	(55,612)
Other operating income	3	13,754	13,548
<b>Operating profit/ (loss)</b>		<b>18,545</b>	<b>(13,304)</b>
Amounts written off fixed asset investments	12	-	(52,738)
Loss on liquidation of subsidiary	12	(3,372)	-
Income from fixed asset investments – dividends received		-	52,940
Other interest receivable and similar income	6	1,224	1,606
Interest payable and similar expenses	7	(24)	(20)
<b>Profit/(loss) before taxation</b>		<b>16,373</b>	<b>(11,516)</b>
Tax on profit/(loss)	9	(7,858)	(4,480)
<b>Profit/ (loss) for the financial year</b>		<b>8,515</b>	<b>(15,996)</b>
<b>Other comprehensive income</b>			
Re-measurement of the net defined benefit liability		97,740	(12,504)
Deferred tax on re-measurement of net defined benefit liability		(24,435)	2,376
Exchange reserve		2	-
<b>Other comprehensive income/ (loss) for the year, net of tax</b>		<b>73,307</b>	<b>(10,128)</b>
<b>Total comprehensive income /(loss) for the year</b>		<b>81,822</b>	<b>(26,124)</b>

All of the above wholly relates to continuing operations.

The accompanying notes for an integral part of financial statement.

**Balance Sheet**  
*at 31 December 2021*

	<i>Note</i>	<b>2021</b> <b>£000</b>	<b>2021</b> <b>£000</b>	<b>2020</b> <b>£000</b>	<b>2020</b> <b>£000</b>
<b>Fixed assets</b>					
Intangible assets	10	25,950		32,803	
Tangible assets	11	56,332		57,953	
Investments	12	115,286		115,286	
Net defined benefit pension asset	20	158,739		49,866	
			356,307		255,908
<b>Current assets</b>					
Stocks	13	32,911		32,344	
Debtors	14	370,778		338,643	
		403,689		370,987	
<b>Creditors: amounts falling due within one year</b>	15	(357,097)		(334,842)	
<b>Net current assets</b>			46,592		36,145
<b>Net assets</b>			402,899		292,053
<b>Provision for liabilities</b>	16		(29,858)		(834)
<b>Net assets</b>			373,041		291,219
<b>Capital and reserves</b>					
Called up share capital	17		96,052		96,052
Share premium account	17		2,729		2,729
Exchange reserve	17		2		-
Profit and loss account	17		274,258		192,438
<b>Shareholders' funds</b>			373,041		291,219

The accompanying notes for an integral part of financial statement.

These financial statements were approved by the board of directors on 21 September 2022 and were signed on its behalf by:

DocuSigned by:

*Chris Birnie*

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**Christopher A Birnie**  
Director

Company registered number: 00611451

## Statement of Changes in Equity

	Called up share capital £000	Share Premium account £000	Exchange reserve £000	Profit and loss account £000	Total shareholders funds £000
Balance at 1 January 2020	96,052	2,729	-	218,562	317,343
<b>Total comprehensive loss for the year</b>					
Loss for the year	-	-	-	(15,996)	(15,996)
Other comprehensive loss	-	-	-	(10,128)	(10,128)
<b>Total comprehensive loss for the year</b>	-	-	-	(26,124)	(26,124)
Balance at 31 December 2020	96,052	2,729	-	192,438	291,219
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	8,515	8,515
Other comprehensive income	-	-	2	73,305	73,307
<b>Total comprehensive income for the year</b>	-	-	2	81,820	81,822
<b>Balance at 31 December 2021</b>	<b>96,052</b>	<b>2,729</b>	<b>2</b>	<b>274,258</b>	<b>373,041</b>

The accompanying notes for an integral part of financial statement.

## Notes

(forming part of the financial statements)

### 1 Accounting policies

Halliburton Manufacturing and Services Limited (the "Company") is a company limited by shares and incorporated, domiciled and registered in the UK. Its registered number is 00611451 and its registered address is Building 4, Chiswick Park, 566 Chiswick High Road, London, W4 5YE.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The functional and presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Halliburton Company includes the Company in its consolidated financial statements. The consolidated financial statements of Halliburton Company include the equivalent disclosures and are available to the public and may be obtained from [www.halliburton.com](http://www.halliburton.com). In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Halliburton Company include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*; and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### Critical accounting judgments and key sources of estimation uncertainty

In the application of the company's accounting policies directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Information about assumptions and assumption uncertainties that have a risk of resulting in a material adjustment in the year ending 31 December 2021 is included in the following notes:

- Note 11 – the recoverable amount of tangible fixed assets
- Note 13 – the carrying value of stocks at the lower of cost and net realisable value
- Note 20 - measurement of defined benefit obligations: key actuarial assumptions

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The principal activities of the company continue to be the supply of materials, services and equipment for gas and oil well installation.

The company's profit before tax of £16.4m for 2021 comprises a number of non-cash items, including a depreciation of £20.1m, annual intangible amortisation of £6.8m partly offset by gains on tangible assets disposals of £10.9m. Earnings before interest, taxation, depreciation and amortisation ("EBITDA"), were £34.5m (2020: £27.9m). The company has no third party debt external to the Halliburton Company group.

A similar level of activity to 2021 is forecast to continue in 2022/23, with prospect of recovery from the impact of the higher energy prices. It is on this basis that the directors have prepared the company's cashflow forecasts for a period of 12 months from the date of approval of these financial statements. The forecasts reflect cash inflows during 2022/23 which generate sufficient funds to enable the company to meet its obligations during the forecast period, including deficit contributions of £13.0m to its defined benefit pension scheme and expected capital expenditure. A downside scenario would be a lower operating margin than forecast, though even in the case of a reasonably possible reduction, positive earnings would still be achieved and the Company remains able to draw on its positive working capital balances.

The company's activities and purpose as a trading company are dependent upon the overall continuing operation of the Halliburton Company group. The oil and gas industry in which Halliburton operates continued to be impacted by mitigation efforts related to the COVID-19 pandemic during 2021, though there are signs that business activity around the world continues to improve as a result of higher oil and gas prices since 2021. We expect international activity growth to maintain momentum and customer spending to increase in 2022 and 2023, led by operators with shorter-cycle production opportunities committing additional capital to meet increasing oil demand.

The directors have made enquiries relating to the financial performance and position of the Halliburton Company group, as at the date of approval of these financial statements. No matters which may reasonably possibly impact the ability of the company to continue as a going concern during the forecast period have been identified from these enquiries.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.3 Intangible assets

##### *Goodwill*

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

##### *Research and development*

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

##### *Other intangible assets*

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

##### *Amortisation*

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- patents and trademarks 10-12 years
- capitalised development costs and customer relations 10-12 years

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 10 years

Fair value on acquisitions have been estimated based on discounted future cash flows.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

#### 1.4 Tangible assets and depreciation

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives as follows:

Freehold buildings	15-40 years
Plant and machinery	5-20 years

No depreciation is provided on freehold land.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.5 Impairment of assets

##### *Financial assets (including trade and other debtors)*

A financial asset carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.6 Investments

Investments are stated at cost less provision for impairment.

#### 1.7 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### 1.8 Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.9 Share based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

Where the Company is part of a group share-based payment plan, it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The basis of such allocation is disclosed in note 18.

#### 1.10 Basic financial instruments

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

#### 1.11 Related parties

The company has taken advantage of the exemption available under FRS 102 from disclosing transactions with its parent undertaking and other subsidiary undertakings where 100% of the voting rights are controlled within the group. The company has no transactions with related parties that are not 100% controlled within the group.

#### 1.12 Expenses

##### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

##### *Interest receivable and Interest payable*

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

#### 1.13 Post-retirement benefits

##### *Defined Contribution Plan*

The company contributes to defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

##### *Defined Benefit Plan*

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Multi-employer plan*

The company also participates in a multi-employer pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as permitted by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The company also reimburses fellow group undertakings for contributions made to pension schemes on behalf of certain employees.

#### **1.14 Turnover**

Turnover represents the amounts (excluding value added tax) derived from provision of goods and services to customers.

The company's services and products are generally sold based upon purchase orders or contracts with our customers that include fixed or determinable prices but do not include right of return provisions or other significant post-delivery obligations. The company recognises revenue from product sales when title passes to the customer, the customer assumes risks and rewards of ownership, collectability is reasonably assured and delivery occurs as directed by our customer. Service revenue, including training and consulting services, is recognized when the services are rendered and collectability is reasonably assured. Rates for services are typically priced on a per day, per meter, per man-hour or similar basis.

#### **1.15 Stocks**

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### **1.16 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 2 Turnover

All turnover is attributable to the supply of materials, equipment and services for gas and oil well installations. Turnover by geographical market is as follows:

	2021 £000	2020 £000
UK	125,520	164,671
Rest of World	251,841	249,693
	<u>377,361</u>	<u>414,364</u>

### 3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £000	2020 £000
Depreciation on tangible fixed assets	20,095	22,163
Impairment of tangible fixed assets	-	18,859
Amortisation of intangible assets	6,773	10,012
Hire of plant and machinery – rentals payable under operating leases	16	17
Hire of other assets – operating leases	2,245	2,670
Exchange (gain)	(1,752)	(21)
Amounts written off fixed asset investments	-	7
Amounts written off inter-company receivables	-	2,981
Profit on disposal of fixed assets	(10,876)	(9,893)
Research and Development Expenditure Credit	(1,125)	(1,850)
Government grants – Job Retention Scheme	(272)	(1,784)
	<u></u>	<u></u>

Auditor's remuneration:

Audit of these financial statements	226	179
	<u></u>	<u></u>

### 4 Remuneration of directors

	2021 £000	2020 £000
Directors' emoluments	1,648	1,298
Company contributions to money purchase pension schemes	78	69
	<u>1,726</u>	<u>1,367</u>

The aggregate emoluments of the highest paid director in 2021 were £319,393 (2020: £316,539). Company pension contributions of £16,713 (2020: £10,534) were made to a money purchase scheme on his behalf.

	Number of directors	
	2021	2020
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	11	10
	<u></u>	<u></u>
The number of directors who exercised share options was	-	-
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive scheme was	11	9
	<u></u>	<u></u>

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2021	2020
Production	1,176	1,350
Administration	135	156
Sales	12	13
	<u>1,323</u>	<u>1,519</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	79,827	92,041
Social security costs	8,729	9,493
Other pension costs	5,588	6,171
Share based payments (note 18)	5,242	6,104
	<u>99,386</u>	<u>113,809</u>

In addition to pension costs disclosed above, in the prior year, a charge for past service and curtailment costs for the company's defined benefit pension scheme was incurred of £1,157,000 (note 20).

### 6 Other interest receivable and similar income

	2021 £000	2020 £000
Interest receivable from group undertakings	488	407
Net interest income on net defined benefit pension liability (note 8)	729	1,129
Exchange gain	7	21
Other interest receivable	-	49
	<u>1,224</u>	<u>1,606</u>

### 7 Interest payable and similar expenses

	2021 £000	2020 £000
Other interest payable	24	20
	<u>24</u>	<u>20</u>

## Notes (continued)

### 8 Net interest expense on net defined benefit liability

	2021 £000	2020 £000
Expected return on pension scheme assets	(10,302)	(13,637)
Interest on pension liabilities	9,573	12,508
Net interest income on net defined benefit liability (note 6)	(729)	(1,129)

### 9 Taxation

Total tax expense recognised in the profit and loss account:

	2021 £000	2021 £000	2020 £000	2020 £000
<i>Corporation tax</i>				
Current tax on income for the year	1,373		1,150	
Adjustments in respect of prior years	627		(33)	
		2,000		1,117
<i>Group relief</i>				
Current tax on income for the year	1,124		543	
Adjustments in respect of prior years	(390)		(147)	
		734		396
<i>Foreign tax</i>				
Current tax on income for the year	784		1,682	
Adjustment in respect of prior year	(1)		1	
		783		1,683
Current tax charge		3,517		3,196
<i>Deferred tax</i>				
Origination of timing differences	4,058		813	
Adjustment in respect of prior years	191		471	
Adjustment for rate change	92		-	
		4,341		1,284
Tax on profit/ (loss)		7,858		4,480

	2021 £000	2021 £000	2021 £000	2020 £000	2020 £000	2020 £000
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	3,517	4,341	7,858	3,196	1,284	4,480
Recognised in other comprehensive income	-	24,435	24,435	-	(2,376)	(2,376)
	3,517	28,776	32,293	3,196	(1,092)	2,104

**Notes (continued)****9 Taxation (continued)***Analysis of current tax recognised in profit and loss*

	2021 £000	2020 £000
UK corporation tax	2,000	1,117
Group relief payable	734	396
Foreign tax	783	1,683
Total current tax recognised in profit and loss	3,517	3,196

**Reconciliation of effective tax rate***Factors affecting the tax charge for the current year*

The tax charge (2020: charge) is higher (2020: higher) than the composite rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below.

	2021 £000	2020 £000
Profit for the year	8,515	(15,996)
Total tax expense	7,858	4,480
Profit excluding taxation	16,373	(11,516)
Tax using the UK corporation tax rate of 19% (2020: 19%)	3,111	(2,188)
Expenses not deductible for tax purposes (including goodwill amortisation)	2,405	2,467
Depreciation and on assets not qualifying for capital allowances (including buildings)	145	2,185
Overseas tax on income for the year	644	1,372
Tax effect of UK to UK transfer pricing arrangements	(75)	154
Capital gain charges and reliefs	407	228
R&D tax credit	56	(30)
Effect of change in tax rate	738	-
Adjustment in respect of prior years: corporation tax – UK	627	(33)
Adjustment in respect of prior years: group relief	(390)	(147)
Adjustment in respect of prior years: overseas tax	(1)	1
Adjustment in respect of prior years: deferred tax	191	471
Total tax expense included in profit or loss	7,858	4,480

*Factors that may affect future tax charge*

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the Group's future UK tax charge.

Deferred tax at 31 December 2021 has been measured at 25% (2020: 19%).

There are no unprovided deferred tax liabilities or unrecognised deferred tax assets.



**Notes (continued)****10 Intangible fixed assets and goodwill**

	<b>Goodwill £000</b>	<b>Technical £000</b>	<b>Customer Relations £000</b>	<b>Patents £000</b>	<b>Total £000</b>
<i><b>Cost</b></i>					
At beginning of year	97,571	12,932	1,500	459	112,462
Disposal	-	-	-	(158)	(158)
At end of the year	97,571	12,932	1,500	301	112,304
<i><b>Amortisation</b></i>					
At beginning of year	75,121	3,862	471	205	79,659
Charge for year	5,584	978	116	95	6,773
Disposal	-	-	-	(78)	(78)
At end of the year	80,705	4,840	587	222	86,354
<i><b>Net book value</b></i>					
At 31 December 2021	16,866	8,092	913	79	25,950
At 31 December 2020	22,450	9,070	1,029	254	32,803

The directors consider each acquisition separately for the purposes of determining the amortisation period of any goodwill that arises. Goodwill is amortised over 10 years.

No indicators of impairment were identified at year end or during the year relating to any individual cash generating units which include goodwill.

**Notes (continued)****11 Tangible fixed assets**

	<b>Land and buildings £000</b>	<b>Plant and machinery £000</b>	<b>Total £000</b>
<i><b>Cost</b></i>			
At beginning of year	48,880	115,806	164,686
Additions	196	6,242	6,438
Transfers from other Group entities	-	168,114	168,114
Transfers to other Group entities	(9)	(165,856)	(165,865)
Disposals	(748)	(10,617)	(11,365)
At end of year	48,319	113,689	162,008
<i><b>Depreciation</b></i>			
At beginning of year	32,718	74,015	106,733
Depreciation charge for year	762	19,333	20,095
Transfer from other group entities	-	132,879	132,879
Transfers to other Group entities	(4)	(142,727)	(142,731)
Disposals	(748)	(10,552)	(11,300)
At end of year	32,728	72,948	105,676
<i><b>Net book value</b></i>			
At 31 December 2021	15,591	40,741	56,332
At 31 December 2020	16,162	41,791	57,953

Freehold land of £3,916,000 (2020: £3,916,000) included above is not depreciated.

No indicators of impairment were identified at year end.

In the prior year, the impairment charge for land and buildings of £10.6m reflected the decision to vacate and sell certain UK office buildings. The impairment charge was calculated based on third party valuations which estimated expected sale proceeds. The prior year impairment charge for plant and machinery was £8.3m, triggered primarily due to the decline in crude oil price. The impairment charge was calculated based on an asset by asset assessment of future utilisation, in combination with a global business restructure.

Assets under construction of £3,503,856 (2020: £2,827,458) are included within plant and machinery above. These have not been depreciated.

The net book value of land and buildings comprises:

	<b>2021 £000</b>	<b>2020 £000</b>
Freehold	15,186	15,889
Short leasehold	405	273
	<b>15,591</b>	<b>16,162</b>

**Notes (continued)****12 Fixed asset investments**

	Shares in group undertakings £000
<i>Cost</i>	
At beginning of year	119,042
Written off during the year	(968)
At end of year	118,074
<i>Provisions for impairment</i>	
At beginning of year	3,756
Write-off during the year	(968)
At end of year	2,788
<i>Net book value</i>	
At 31 December 2021	115,286
At 31 December 2020	115,286

No indicators of impairment were identified at year end.

The write off of investments reflects the completion of the liquidation of the company's subsidiary HMS France SAS as part of a group reorganisation. A related loss of £3,372,000 arose from the company's assumption of liabilities of HMS France SAS prior to the liquidation.

The company's investments at year end were:

	Principal activity	Class and percentage holding	
		2021	2020
PSL Energy Services Limited* (1)	Supply of oil field related support services	100% ordinary shares 100% 'A' ordinary shares 100% of deferred shares	100% ordinary shares 100% 'A' ordinary shares 100% of deferred shares
Paloak Limited* (2)	Non Trading	9.08% ordinary shares	9.08% ordinary shares
Energy Chemical Source Company (3)	Provision of services to oil and gas operators outwith the UK	100% of ordinary shares	100% of ordinary shares
Halliburton Services Limited Liability Company (4)	Provision of services to oil and gas operators outwith the UK	90% of ordinary shares	90% of ordinary shares
Techsource Recruitment Limited (1)	Provision of services to oil and gas operators outwith the UK	0% of ordinary shares	100% of ordinary shares

## Notes (continued)

### 12 Fixed asset investments (Continued)

\*Investments held directly

- (1) Halliburton House, Howe Moss Crescent, Dyce, Aberdeen, UK, AB21 0GN
- (2) Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA
- (3) P.O. Box 52681, Jubail 31573 Saudi Arabia
- (4) Salyan Highway 16, Lokbatan stl., Garadagh dstr., Baku, Azerbaijan, 1063

### 13 Stocks

	2021 £000	2020 £000
Raw materials and consumables	4,670	4,588
Work in progress	7,086	4,154
Finished goods and goods for resale	21,155	23,602
	<u>32,911</u>	<u>32,344</u>

Raw materials, consumables and the change in finished goods and work in progress recognised as cost of sales in the year amounted to £259,891,687 (2020: £319,099,410). The write down of stocks to net realisable value amounted to £517,536 (2020: £10,488,948). Stock provisions are based principally on an ageing and expected utilisation. The prior year charge principally reflected a write off of drilling muds and fluids to reflect expected market demand for these stocks.

### 14 Debtors

	2021 £000	2020 £000
Trade debtors	19,121	27,677
Amounts owed by group undertakings	343,380	303,796
Other debtors	2,507	2,314
Corporation tax receivable	-	833
Prepayments and accrued income	5,770	4,023
	<u>370,778</u>	<u>338,643</u>

The amounts owed by group undertakings are payable on demand and an element is interest bearing.

## Notes (continued)

### 15 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Bank overdraft	-	727
Trade creditors	33,101	39,436
Amounts owed to group undertakings	297,449	279,133
Other taxation and social security	1,814	1,429
Other creditors	76	162
Corporation tax payable	612	-
Accruals and deferred income	24,045	13,955
	<u>357,097</u>	<u>334,842</u>

The amount owed to group undertakings are payable on demand and are non-interest bearing.

### 16 Provisions for liabilities

	2021 £000	2020 £000
Asset retirement obligation	790	542
Deferred tax liability (below)	29,068	292
	<u>29,858</u>	<u>834</u>

Provisions include estimated cost of reinstatement of leasehold buildings at their termination date to their initial condition when the lease commenced. The provisions will be required until the expiry of the leases which at its longest is 84 years (2020: 85 years).

Deferred tax has been measured at the substantively enacted rate of corporation tax at 31 December 2021 of 25%. Movement in deferred tax comprises:

	1 January 2021 £000	Recognised in income £000	Other comprehensive income £000	31 December 2021 £000
Tangible fixed assets	(7,327)	(789)	-	(8,116)
Other timing differences	(252)	(172)	-	(424)
Losses carried forward	(1,603)	(473)	-	(2,076)
Timing differences on defined benefit pension scheme	9,474	5,775	24,435	39,684
	<u>292</u>	<u>4,341</u>	<u>24,435</u>	<u>29,068</u>

## Notes (continued)

### 17 Share capital and other reserves

	2021 £000	2020 £000
<i>Allotted, called up and fully paid</i>		
Equity 96,051,570 (2020: 96,051,570) ordinary shares of £1 each	96,052	96,052

#### *Share premium*

Share premium represents the excess of the proceeds received from the issue of shares over the nominal value of those shares

#### *Profit and loss account*

Profit and loss account comprises cumulative undistributed earnings of the Company

#### *Exchange reserve*

The exchange reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign branch operations.

### 18 Share based payments

The company has entered into share based arrangements with employees, generally employees at senior management level and above, under the shareholder approved and extended "Halliburton Company 1993 Stock and Long Term Incentive Plan".

The share-based payment charge is £5,241,877 (2020: £6,104,000). In 2021 the company has been charged by the US parent for the share-based arrangements.

#### *Restricted Stock*

Restricted stock is granted in respect of this plan by the US parent company to certain employees of the company on a discretionary basis. Awards are measured at their fair value, represented by the closing market price on date of grant.

Halliburton Restricted Stock awards have restrictions that lapse periodically over an extended period of time not exceeding ten years. Compensation expense is recognised over the requisite service period (usually the restriction period). There are no performance conditions; the employee simply has to provide the requisite service to the company to earn the award. The estimated forfeiture rate for Restricted Stock awards is calculated on a historical average for Halliburton Company of Restricted Stock activity since 2003.

#### *Share Options*

Share options are granted by the US parent company to certain employees of the company on a discretionary basis. Awards are measured at their fair value using the Black-Scholes pricing model at the date of grant.

Halliburton employee share options generally expire 10 years from the grant date and vest over a three or four year period. Compensation expense is recognised over the requisite service period (usually the vesting period). There are no performance conditions other than the employee has to provide the requisite service to the Company to earn the award. The expected life is the average expected period to exercise. The expected volatility of options granted is based upon the historical volatility of Halliburton Company common stock. The expected term of options granted is based upon historical observation of actual time elapsed between date of grant and exercise of options for all employees of Halliburton Company.

The estimated forfeiture rate is based on a historical average for Halliburton Company since 1996.

**Notes (continued)****18 Share based payments (continued)****Employee Share Purchase Plan**

Under the Employee Share Purchase Plan (ESPP), eligible employees may elect to have up to 10% of their earnings withheld, subject to some limitations, to be used to purchase shares in the US parent company.

These shares are measured at their fair value using the Black-Scholes pricing model at the date of grant.

Unless the Board of Directors shall determine otherwise, relevant employees will be eligible each three-month period commencing on January 1, April 1, July 1 and October 1 to participate in the ESPP.

The price at which shares may be purchased under the ESPP is equal to 90% (2020: 90%) of the lower of the fair market value of the shares on the commencement date or last trading day of each offering period or the date the shares are purchased by the trustees. Shares are purchased in the month following the end of each three-month trading period. Under this plan, 35 million Halliburton Company shares have been reserved for issuance.

Relevant Halliburton employees make a commitment to purchase shares by the first day of each commencement period for each six-month offering period. The cost to the company of the shares is recognised over the six-month period which represents the expected life. The expected volatility is based upon the historic volatility of Halliburton Company common stock. The scheme was suspended effective 1 January 2006 and recommenced 1 July 2007.

**19 Commitments and contingencies**

- a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2021 £000	2020 £000
Contracted	1,178	51

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

	Land and buildings		Plant and machinery	
	2021 £000	2020 £000	2021 £000	2020 £000
Non-cancellable operating lease rentals are payable as follows:				
Within one year	1,843	2,330	63	15
Within the second to fifth years inclusive	3,003	4,679	86	19
In more than five years	6,181	6,684	-	-
	<u>11,027</u>	<u>13,693</u>	<u>149</u>	<u>34</u>

- c) The company is registered for VAT purposes in a group of undertakings which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group, and failure by other members of the group could give rise to additional liabilities for the company. The directors are of the opinion that no liability is likely to arise from the failure of those companies.

The company has granted guarantees in connection with Value Added Tax amounting to £4,000,000 (2020: £4,000,000).

The company has granted guarantees in connection with contracts which amount to Nil (2020: £8,954).

## Notes (continued)

### 20 Employee benefits

#### *Defined contribution schemes*

The company contributes to defined contribution schemes. The total pension cost charge for the period is £5,587,520 (2020: £6,171,332) of which £4,933,763 (2020: £5,359,209) represents contributions payable to the schemes.

No contributions were unpaid at 31 December 2021 (2020: £Nil).

#### *Defined benefit schemes*

##### *Merchant Navy Officers Pension Fund*

The company is unable to identify its share of the underlying assets and liabilities of the Fund on a consistent and reasonable basis and therefore, as permitted by FRS 102 'Employee benefits', accounts for the Fund as if it were a defined contribution pension scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the Fund in respect of the accounting period. The total contributions made during the year were £ Nil (2020: £ Nil).

The Merchant Navy Officers' Pension Fund is divided into two sections, the Old Section and the New Section. The Old Section has achieved its objective and therefore, has been bought out during 2014.

As at 31 March 2021, the date of the most recent triennial actuarial valuation, the market value of the New Section's assets was £3,250 (2018: 3,278) million representing approximately 98% of the benefits accruing to members on the valuation basis.

##### *Halliburton Energy Services Group Scheme*

The company operates a pension scheme, providing benefits based on final pensionable pay. The assets of the Scheme are held separately from those of the company, being invested by professional investment managers.

The Halliburton Energy Services Group scheme is an approved scheme providing defined benefits.

No contributions were unpaid at 31 December 2021 (2020: £ Nil).

A full actuarial valuation was last carried out on 31 March 2021 and updated to 31 December 2021 by a qualified independent actuary.

The information disclosed below is in respect of the whole of the plan for which the company is the sponsoring employer.

The pension scheme surplus is recognised in full on the basis that the company has an unconditional right to the refund of surplus after all pension benefits have been settled.



## Notes (continued)

### 20 Employee benefits (continued)

#### Net pension liability

	2021 £000	2020 £000
Defined benefit obligation	(659,501)	(749,142)
Plan assets	818,240	799,008
Net pension asset	158,739	49,866

#### Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At 1 January	(749,142)	(670,516)
Interest expense	(9,573)	(12,508)
Re-measurement: actuarial gains/(losses)	75,297	(89,865)
Benefits paid	23,917	24,904
Loss on curtailment	-	(1,157)
At 31 December	(659,501)	(749,142)

#### Movements in fair value of plan assets

	2021 £000	2020 £000
At 1 January	799,008	723,726
Interest income	10,302	13,637
Administrative expenses paid from plan assets	(2,052)	(3,119)
Re-measurements: Return on plan assets (excluding interest income)	22,443	77,361
Contributions by employer	12,456	12,307
Benefits paid	(23,917)	(24,904)
At 31 December	818,240	799,008

#### Expense recognised in the profit and loss account

	2021 £000	2020 £000
Administrative expenses	2,052	3,119
Loss on curtailment/ changes/ introductions	-	1,157
Net interest on net defined liability	(729)	(1,129)
Total expense recognised in profit or loss	1,323	3,147

## Notes (continued)

### 20 Employee benefits (continued)

The total amount recognised in the statement of other comprehensive income in respect of actuarial gains and losses is a gain of £97,740,000 (2020: loss £ 12,504,000).

The fair value of the plan assets and the return on those assets were as follows:

	2021 Fair value £000	2020 Fair value £000
Cash and cash equivalents	434,272	336,851
Equity instruments	140,677	253,909
Debt instruments	16,777	18,110
Real estate	35,235	72,974
Other	191,279	117,164
	<u>818,240</u>	<u>799,008</u>
Actual return on plan assets	<u>32,745</u>	<u>90,998</u>

Other plan assets principally comprise investments in diversified credit and diversifying strategy funds.

Principal actuarial assumptions (expressed as weighted averages) at the yearend were as follows:

	2021 %	2020 %
Discount rate	1.80	1.30
Inflation assumption RPI	3.30	2.90
Inflation assumption CPI	2.65	2.10
Pension increases – post-retirement	2.05	1.95
Pension increases - pre-retirement	3.10	2.75

In valuing the liabilities of the pension fund at 31 December 2021, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2021 would have increased by £22,550,000.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.9 years (male), 24.0 years (female).
- Future retiree upon reaching 65: 22.8 years (male), 25.2 years (female).

In March 2009, the company notified members of the defined benefit section of the scheme of its proposal to close the defined benefit section to future benefit accruals. The company confirmed that decision when the consultation period ended in June 2009 and a revised actuarial valuation was prepared with a curtailment gain of £19,122,000 being recognised. A further special contribution of £40,000,000 was paid on 9 July 2009 as part of the arrangements to close the defined benefit section of the scheme. The company contributed to the defined benefit section of the scheme is £12,456,000 in 2021, £12,307,000 in 2020, £12,010,000 in 2019 and £11,621,000 in 2018, and expects to contribute £13,027,000 in 2022.

## **Notes (continued)**

### **21 Contingent liability**

In previous years the company made contributions on behalf of former employees to the Merchant Navy Officers' Pension Fund, a multiemployer defined benefit scheme. During 2005 the company was contacted by the Trustees of the Scheme seeking to recover funds from current and former employers to make good a deficit in the scheme. As a result of a court ruling and subsequent correspondence, in September 2005 the company made a payment of £23,000 to the Merchant Navy Officers' Pension Fund for the share of the deficit.

At the time of requesting the payment the Trustees of the scheme made it clear that further requests for funding may be made on current and former employers dependent upon a number of factors including future scheme asset returns and recovery success from current and former employers.

During 2006, the business that employed the members of the MNOPF scheme was sold and a provision was made in 2006 of £217,000 representing the estimated statutory debt obligation payable to the scheme following the transfer of relevant personnel. During 2008, the liability was recalculated by MNOPF at £126,000 and this was paid during the year. During 2011, the liability was recalculated by MNOPF at £85,000 and this was paid during the year. As at 31 December 2021, the company has no outstanding liability (2020: *£nil*).

### **22 Ultimate parent company and parent company of larger group**

The company is a subsidiary undertaking of Halliburton Company which is its ultimate parent company and ultimate controlling party.

The largest group in which the results of the company are consolidated is that headed by Halliburton Company, 3000 North Sam Houston Parkway East, Houston, Texas, 77032. No other group financial statements include the results of the company.

The consolidated financial statements of Halliburton Company are available to the public and can be obtained from Investor Relations at [www.halliburton.com](http://www.halliburton.com).

### **23 Subsequent events**

There are no subsequent events which need disclosure or require adjustment.