Registered number: 01532141

AKER OFFSHORE PARTNER LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

AKER OFFSHORE PARTNER LIMITED

COMPANY INFORMATION

Directors	Craig Wiggins Douglas Leslie Roger Sian Lloyd Rees
Company secretary	Pinsent Masons Secretarial Limited
Registered number	01532141
Registered office	1 Park Row Leeds LS1 5AB

AKER OFFSHORE PARTNER LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the Company is the provision of hook-up and commissioning projects, modifications operations and maintenance support to clients in the offshore oil and gas industry. The Company also has a branch in Korea.

Post year end the Company completed its' contractual obligations. As the directors do not, currently, intend to pursue a replacement contract, they have not prepared the financial statements on a going concern basis. However, the directors will continue to review the future of the Company and in particular, no decision has been made to liquidate the Company. The effect of this is explained in note 1.

Dividends

An interim dividend of £32,500 thousand was declared for the year (2018: £nil thousand). The directors do not recommend a final dividend for the year (2018: £nil).

Directors

The directors who served during the year were:

Craig Wiggins
Douglas Leslie Roger
Sian Lloyd Rees

Engagement with suppliers, customers and others

Relationships with stakeholders are of strategic importance to the Company and these matters are therefore dealt with in the Directors' engagement statement section of the strategic report (section 172 disclosure).

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

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.

This report was approved by the board on 18 December 2020 and signed on its behalf.

DLRoger

Douglas Leslie Roger
Director

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors present their annual report and financial statements for the year ended 31 December 2019.

Business review and results

Aker Offshore Partner Limited is a wholly owned subsidiary of Aker Solutions Holding AS.

The Company continues to be a top tier provider of hook-up and commissioning project, modification operation and maintenance support to clients in the offshore oil and gas industry. Aker Offshore Partner Limited, together with the wider Aker Solutions business; design, manufacture and supply subsea controls systems, subsea trees, wellheads and associated maintenance services.

In response to the continuing low oil price environment the Company continued to focus on strengthening the Company's existing culture of continuous improvement, delivering cost efficiencies and creating a leaner organisation that can meet the challenges of operating in today's market.

The Company has been involved in a significant contract for a number of years which completed in 2020. Following the completion of the contract, Aker Solutions Limited will deliver the maintenance and modification contract.

The profit for the year, after taxation, amounted to £55,367 thousand (2018: £32,309 thousand).

Future developments

Post year end the Company completed its' contractual obligations. As the directors do not, currently, intend to pursue a replacement contract, they have not prepared the financial statements on a going concern basis. However, the directors will continue to review the future of the Company and in particular, no decision has been made to liquidate the Company. The effect of this is explained in note 1.

On 17 July 2020, Aker Solutions ASA and Kvaerner ASA announced plans to merge the two companies to create a stronger and more robust supplier company. The plans were approved by Extraordinary General meetings of both companies and the first day of trading for the new Aker Solutions was 11 November 2020.

Section 172 disclosure

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, Section 172 requires a Director to have regard, among other matters to:

- The likely consequences of any decision in the long term; the interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct;
- And the need to act fairly with members of the company.

Employees

Aker Solutions employees are crucial to the success of the company, Aker Offshore Partner Limited has no direct employees but utilizes personnel resources of other Aker Solutions entities. These entities make significant investment in the recruitment, training and retention of its people. A significant portion of the activity in the UK is dependent on the skills and expertise of our employees, and as such Aker Solutions regularly engages with its employees in a number of forums to ensure the welfare of our people. Town hall meetings, as well as formal and informal department meetings are regularly held, and a number of communication channels exist for employees to engage with line managers and senior management. The company engages employee representatives through the company's employee consultative forum (ECF) which is an integral part of Aker Solutions communication strategy, supporting leadership's belief that the success of our business will be improved by employees being involved in matters concerning the company and its workforce. Aker Solutions seeks to achieve this through communication with its employees and also through dialogue, in a spirit of cooperation, with such employee representatives as are appointed for this purpose.

We invest heavily in training our employees, both for general job-related competence and for discipline specific skills with the objective of ensuring safe delivery of services to clients, and to enhance the skills and competence of our employees.

Business relationships

The directors and senior business leaders engage with the company's clients on a daily basis at an operational management level both onshore and offshore. They also meet regularly with clients in a formal manner to review safety and performance, and to collectively discuss how to improve delivery of services.

With regards to suppliers, the company is committed to fair treatment of all its partners in the supply chain. There is regular engagement with suppliers to ensure a common strategic focus for delivering services to our clients. The company is committed to fair payment terms for its suppliers and regularly highlights the importance of exercising regular payments at industry forums.

Community and the environment

Aker Solutions vision is to be a leader in forging a sustainable future for the global energy industry and the world it serves. The group also aims to generate 20 percent of revenue from renewables and 25 percent of revenue from low carbon solutions from 2030.

Details of the environmental and social governance across the Aker Solutions group can be found on the group's website. This sets out the policies and control processes in place for effective management of sustainability related factors and our focus on environmental factors.

Business conduct

The directors are focused on upholding the highest level of integrity and ethics in all manners.
Safe operations are at the core of the company values. The environment, particularly offshore, has inherent health and safety risks. These must be managed to safeguard crews, assets and the environment in which we operate. Aker Solutions work to establish and maintain an incident free workplace where accidents, injuries or losses are always seen as preventable by adopting 'Life Matters' principles. The directors are responsible for the safety system and the responsibility is delegated down to all managers and process owners. The line management is responsible for ensuring that all employees adhere to and act in accordance with the management system. All employees are responsible for adherence to the safety system and contribute to its continued improvement. The company has a global HSSE mindset program with quarterly modules rolled out to employees.
External and internal audits, verifications, inspections and management offshore visits are carried out to measure compliance with company, client and legal requirements.

Business ethics

At Aker Solutions, integrity is one of the core principles and conducting our business honestly, lawfully, and ethically is fundamental to continued success. Integrity and a HSSE mindset drives everything we do and is critical to upholding our reputation in the marketplace. The directors have a zero-tolerance approach to bribery and corruption. The directors expect and require that all our employees, contractors, suppliers, partners and clients observe the highest standards of integrity when conducting business. Appropriate risk-based communications and training on bribery, corruption, and our Code of Conduct is provided to employees as part of their on-boarding and ongoing development. Any incidents, breaches or suspected breaches of the Code of Conduct, other internal policies, or laws and regulations, can be reported through line management or by submitting a complaint through the whistle-blowing hotline.

Aker Solutions management system and due diligence procedures for assessing and managing corruption risks are documented in the code of conduct and employee handbook.

The directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders considered in this regard are the people who work for us, buy from us, supply to us, own us, regulate us and live in the societies we serve and the planet we inhibit. The board recognises that building strong relationships with stakeholders will help us deliver our strategy in line with our long term values, and operate the business in a sustainable way. The board is committed to effective engagement with all of its stakeholders. Aker Solutions group management regularly review health, safety and environmental matters, financial and operational performance as well as other areas over the course of the financial year including the group's business strategy, key risks, employee-related matters, diversity and inclusivity, corporate responsibility, governance, compliance and legal matters.

The board of Aker Solutions ASA hold quarterly meetings and receive reports from management on issues concerning customers, the environment, communities, suppliers, employees, regulators, governments and investors, which it takes into account in its discussions and its decision-making process under section 172. In addition to this, the board seeks to understand the interests and views of the groups stakeholders by engaging with them directly.

Principal risks and uncertainties

Any business operates against a background of risks and uncertainties. The directors believe that the principal risks facing the Company, directly or by involvement in major projects across a number of group entities, are:

Market risks:

Market factors that may affect operations and financial results include, but are not limited to, the following:

- Oil companies exploration, development, production, investment and maintenance activity. These factors are significantly affected by changes in global demand, energy prices and environmental factors;
- Local content requirements in countries of existing or planned operations;
- Legislative restrictions or prohibitions on oil and gas activities; and
- Liabilities under environmental laws or regulations.

Operational risks:

The Company predominantly enters into fixed price contracts and, as such, risks cost overruns that may reduce anticipated profits or even cause losses. The Company's projects often involve complex design and engineering as well as significant procurement and manufacturing of equipment, supplies and construction management. They may also require development of new technology and solutions. There is a risk of delays in any phase, including those beyond the Company or Group's control such as deliveries of supplies and scheduling by sub-contractors. Delays may hamper the Company or Group's ability to deliver on time and in accordance with contracts, which could have a material adverse effect on the Company's as well as Aker Solutions' reputation, performance and finances.

Operational factors that may affect operations and financial results include, but are not limited to, the following:

- Loss of business from a significant customer or failure to deliver a significant project as agreed;
- Technology or intellectual property disputes involving the Company or Group, its suppliers or sub-suppliers which could increase or hamper the Company or Group's ability to deliver services and products or limit its operational freedom; and
- Partnerships and other types of cooperation that expose the Company and Group to risks and uncertainties outside of its control.

Financial risks:

The Company and Group work to manage and control exposure to financial risk to ensure predictable earnings and minimize potential adverse effects on financial performance. Currency risk is generally managed through the Corporate Treasury function when contracts are awarded, such cover is provided in functional currency.

Financial factors that may affect operations and financial results include, but are not limited to, the following:

- Currency risks on commercial transactions, assets, liabilities and net investments held in foreign currencies;
- Credit risk for counterparties that fail to meet contractual obligations; and
- Liquidity risks.

Ethical and political risks:

The Company and Group could potentially become involved in unethical behaviour, either directly or through third parties or partners. The Group has operations in countries with high political, reputational or corruption risks.

There are many controls in place to mitigate the market and operational risks. Risks are reported to executive management through the monthly operational review process which forms an integral part of the internal controls framework. The reporting consists of a written report and subsequent review meeting with the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and other functional staff as required. The risk management process for projects is standardised with a system based register where identified risks and opportunities are categorised and assessed in terms of impact and profitability. Further, projects report the operational and financial status in addition to performance and risk indicators. These processes enable the directors to manage the risks and ensure cost optimisation to bring the projects to a satisfactory conclusion.

With regards to financial risks, a number of controls are in place to mitigate the risks: Counterparty risk assessments are performed where major contractual counterparties and sub-contractors are concerned. Risk is further reduced through bank and parent company guarantees and the structuring of payment terms.

Regarding ethical and political risks, these are managed through regular country assessments, mandatory awareness training, compliance reviews and regular integrity due diligence.

Pandemics

During the first quarter of 2020, the spread of COVID-19 (corona) virus caused global disruption, with negative consequences both for human health, business enterprises (including Aker Solutions) and the global economy in general. The consequences of the pandemic have had significant impact for Aker Solutions and for the oil and gas industry at large. Consolidations, bankruptcies and other changes have happened and continue to happen in the supplier industry due to the current COVID-19 pandemic and parallel market turmoil. Pandemic outbreaks and other natural disasters could also occur in the future and may impact Aker Solutions in the following manner:

- Personnel may not be able to work due to illness, quarantines, travel restrictions and social distancing
- Manufacturing sites, service bases or office buildings may result in shut down
- Clients are likely to face delays and losses and may claim reimbursement from Aker Solutions and other suppliers
- Long-term impact on the global economy may result in loss and impairment of the assets; and
- Available future market could decrease as clients reduce capital expenditure.

Other key performance indicators

The Company's top priority is the safety of its offshore contractors and the Company works continuously to prevent incidents that could harm personnel, material or non-material assets. It investigates all serious incidents, near misses and risk observations to learn from these and improves safety. The Company also continues to identify, analyse and mitigate intentional security threats to personnel and assets.

There were 5 reportable incidents in the year, none of which resulted in lost time on operations. The injuries arose from handling tools and equipment. The lost-time frequency was 0.19 and the frequency of total reportable incidents was 1.7. Both frequencies based on one million hours worked.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019

Financial key performance indicators

Management use a wide range of performance indicators and statistics to measure the progress or development of the business and its contracts. These include financial as well as non-financial indicators.

Financial indicators include variance comparison against budget, short and long term forecasts. In particular, turnover, contribution and operating profit along with margin percentages are closely monitored.

The financial KPI's are set out below:

	2019 **£000**	*2018* *£000*
Revenue	**169,785**	*207,910*
Gross Profit	**74,693**	*45,798*
Gross Margin (%)	**44**	*22*
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**68,413**	*39,062*
EBITDA Margin (%)	**40**	*19*
Earnings before interest and tax (EBIT)	**68,413**	*39,062*
EBIT Margin (%)	**40**	*19*

This report was approved by the board on 18 December 2020 and signed on its behalf.

Douglas Leslie Roger
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2019

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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 accounting 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 (as explained in note 1, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

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 AUDITORS' REPORT TO THE MEMBERS OF AKER OFFSHORE PARTNER LIMITED

Opinion
We have audited the financial statements of Aker Offshore Partner Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and loss account and other comprehensive income, the Balance Sheet, the Statement of changes in Equity and the 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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.

Emphasis of matter - non going concern basis of preparation
We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reason set out in that note. Our opinion is not modified in respect of this matter.

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 8, 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.

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.

Paul Moran

Paul Moran (Senior Statutory Auditor)

for and on behalf of

KPMG LLP, Statutory Auditor

Chartered Accountants

1 Marischal Square
Broad Street
Aberdeen
AB10 1DD

21 December 2020

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	*2018* *£000*
Turnover	3	**169,785**	*207,910*
Cost of sales		**(95,092)**	*(162,112)*
Gross profit		**74,693**	*45,798*
Administrative expenses		**(6,280)**	*(6,736)*
Operating profit and profit before tax	4	**68,413**	*39,062*
Tax on profit	7	**(13,046)**	*(6,753)*
Profit for the financial year/period		**55,367**	*32,309*
Other comprehensive income		**-**	*-*
Total comprehensive income for the year		**55,367**	*32,309*

The notes on pages 15 to 29 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note		2019 £000		*2018* *£000*
Fixed assets					
Investments	9		**132**		*132*
			132		*132*
Current assets					
Debtors: amounts falling due within one year	10	**99,535**		*92,181*	
		99,535		*92,181*	
Creditors: amounts falling due within one year	11	**(20,479)**		*(35,992)*	
Net current assets			**79,056**		*56,189*
Total assets less current liabilities			**79,188**		*56,321*
Net assets			**79,188**		*56,321*
Capital and reserves					
Called up share capital	12		**3,000**		*3,000*
Profit and loss account	13		**76,188**		*53,321*
			79,188		*56,321*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 December 2020.

DLRoger

Douglas Leslie Roger
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2019	3,000	53,321	56,321
Comprehensive income for the year			
Profit for the year	-	55,367	55,367
Total comprehensive income for the year	-	55,367	55,367
Transactions with owners, recorded directly in equity			
Dividends: Equity capital	-	(32,500)	(32,500)
At 31 December 2019	3,000	76,188	79,188

The notes on pages 15 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	3,000	21,012	24,012
Comprehensive income for the year			
Profit for the year	-	32,309	32,309
Total comprehensive income for the year	-	32,309	32,309
At 31 December 2018	3,000	53,321	56,321

The notes on pages 15 to 29 form part of these financial statements.

1. Accounting policies

1.1 Basis of preparation of financial statements

Aker Offshore Partner Limited (the Company) is a private company incorporated, domiciled and registered in England. The registered number is 01532141 and the registered address is 1 Park Row, Leeds, LS1 5AB.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

The company is exempt by virtue of s400 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.

The following principal accounting policies have been applied:

1.2 Change in accounting policy

IFRS 16 Leases was implemented from 1 January 2019. There is no significant impact on the Company's reported financial performance and position either on transition or going forward with no adjustments having to be made to any current year figures. As a result, no transition reconciliation has been presented.

1. Accounting policies (continued)

1.3 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of the 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
- the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the *disclosure of details in indebtedness relating to amounts payable after 5 years required* by company law is presented separately for lease liabilities and other liabilities, and in total
- 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
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in 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)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

1.4 Going concern

In previous years, the financial statements have been prepared on a going concern basis. Post year end the Company completed its sole contract. As the directors do not, currently, intend to acquire a replacement contract, they have not prepared the financial statements on a going concern basis. However the directors will continue to review the future of the Company and in particular, no decision has been made to liquidate the Company. No adjustments were necessary to the amounts reported as at 31 December 2019.

1. Accounting policies (continued)

1.5 Foreign currency translation

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.

The Company's functional and presentational currency is GBP.

1.6 Revenue

All customer contracts in scope of IFRS 15 are assessed using the five-step model. Only approved customer contracts with a firm commitment is the basis for revenue recognition. Variation orders are included when they have been approved either verbally, in writing or implied by customary business practice. The deliveries in the contracts are reviewed to identify distinct performance obligations, and this assessment may involve significant judgement. For the majority of the identified performance obligations, control has been assessed to be transferred to the customer over time as the performance obligation is satisfied. Revenue is recognised over time using a cost based progress method, or revenue is recognised as time and materials are delivered to the customer. These methods are assessed to best reflect the pattern of transfer of control of goods and services to the customer.

Variable considerations, such as incentive payments, are included in revenue when they are highly probable. Expected liquidated damages (LD) are recognised as a reduction of the transaction price unless it is highly probable LDs will not be incurred. The transaction price of performance obligations is adjusted for significant financing components to reflect the time value of money. Financing components may exist when the expected time period between the transfer of the promised goods and services and the payment is more than twelve months. The assessment is performed at the contract inception. Profit is not recognised until the outcome of the performance obligations can be measured reliably. Contract costs are expensed as incurred. The full loss is recognised immediately when identified on loss-making contracts. The loss is determined based on revenue less direct cost (i.e. labour, subcontractor and material cost) and an allocation of overhead that relate directly to the contract or activities required to fulfil the contract.

Different types of customer contracts

The revenue in Aker Solutions is generated from various contracts for the engineering, procurement, construction, modification and maintenance of various oil and gas installations. Aker Offshore Partner Limited contracts relate to the provision of hook up and commissioning projects, modification operations and maintenance supports for oil and gas installations ..

The projects are mainly reimbursable, but can also include lumpsum elements. Some contracts have incentive mechanisms including bonuses, target sum mechanisms, key performance indicators and productivity measures. Each engineering, hook-up, modification and maintenance jobs are usually assessed as a separate performance obligation. The contracts usually last from one to five years. Revenue is recognised over time using a cost progress method or revenue is recognised according to delivered time and materials.

1. Accounting policies (continued)

1.7 Current and deferred taxation

Tax is recognised in the Profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.9 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1. Accounting policies (continued)

1.10 Financial Instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
(a) Classification
On initial recognition, a financial asset is classified as measured at: amortised cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions:
- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Investments in subsidiaries are carried at cost less impairment.

1. Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

(b) Subsequent measurement and gains and losses
Financial assets at FVTPL - these assets (other than derivatives designated as hedging instruments) are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the Profit and loss account.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the Profit and loss account. Any gain or loss on derecognition is recognised in the Profit and loss account.

Debt investments at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the Profit and loss account. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the Profit and loss account.

Equity investments at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in the Profit and loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the Profit and loss account.

Financial liabilities and equity
Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the Profit and loss account. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Profit and loss account. Any gain or loss on derecognition is also recognised in the Profit and loss account.

1. **Accounting policies (continued)**

(iii) Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost, debt investments measured at FVOCI and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes when invoices are more than 90 days past due without agreed postponement, knowledge of significant financial difficulty of the customer or debtor or other forward-looking information.

Write-offs
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions each reporting period that affect the income statement and balance sheet. The accounting estimates will by definition seldom precisely match actual results. The items where judgments and estimates have been made are described below:

Revenue

It can be challenging to estimate the expected revenue and cost in the company's customer contracts, in particular if there are operational challenges. The most significant judgements and estimates in the customer contracts are described below.

Variable Consideration
Incentive payments are integral and significant parts of contract revenue on certain reimbursable contracts. They can also be present in lumpsum contracts. Incentive payments include key performance indicators, bonuses, target sum mechanisms and productivity measures and can potentially both increase and decrease revenue. Most incentives are estimated using the most likely amount. Revenue from variable consideration is included only when it is highly probable that the revenue will not be reversed. There is a risk that the actual payment of incentives may differ from the estimated amount.

Liquidated Damages (LDs)
LDs are penalties for not achieving defined milestones on time. LDs are common in construction contracts, but can also be present in service contracts. If a project does not meet the defined milestone in a contract, a provision reducing the transaction price is made unless it is highly probable that LD will not be imposed. The estimated LD provision is highly judgemental and based on experience from similar LD situations and negotiations with customers in addition to an assessment of client relationship and economic impact.

Total Contract Cost
The estimates of total contract cost can be judgemental and sensitive to changes. The cost estimates can significantly impact revenue recognition for contracts using cost progress, particularly in lump sum construction contracts. The forecasting of total project cost depends on the ability to properly execute the engineering and design phase, availability of skilled resources, manufacturing capacity, productivity and quality factors, performance of subcontractors and sometimes also weather conditions. Experience, systematic use of the project execution model and focus on core competencies reduce, but do not eliminate, the risk that cost estimates may change significantly.

Performance Obligations
Significant management judgement is sometimes required in order to identify distinct performance obligations in customer contracts. This includes an analysis of the customer contract to determine if the goods or services are distinct deliveries or inputs to an overall promise to deliver a combined item.

Debtors

Judgement is involved when determining the impairment losses on doubtful receivables. The impairment is based on individual assessments of each customer and default risk in the industry and the country in which the customer operates.

Current and deferred tax

Management judgement is required when assessing the valuation of unused losses, tax credits and other deferred tax assets. The recoverability is assessed by estimating taxable profits in future years. The discounted amount from these profits is compared to the net present value of the tax assets. Economic conditions may change and lead to a different conclusion regarding recoverability, and such change may affect future reporting periods.

3. Turnover

The whole of the turnover is attributable to the provision of hook-up and commissioning projects, modification operations and maintenance support services. All turnover arises from products and services transferred over time.

Analysis of turnover by country of destination:

	2019 £000	2018 £000
Rest of Europe	**5,432**	*7,028*
Rest of the World	**164,353**	*200,882*
	169,785	*207,910*

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2019 £000	2018 £000
Receivables	**4,017**	*16,948*
Contract assets	**-**	*4,413*
Contract liabilities	**6,624**	*-*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

4. Operating profit

The operating profit is stated after crediting/(crediting):

	2019	*2018*
	£000	*£000*
Exchange differences	**160**	*(195)*
Provision released in year	**-**	*(1,549)*

5. Auditors' remuneration

The amount payable by the company to its auditors in respect of the audit of the financial statements and for other services provided to the Company is £24 thousand (2018: £21 thousand).

The audit fee is borne by another group company.

6. Employees

The Company has no employees in either the current year or prior period.

7. Taxation

	2019 £000	*2018 £000*
Corporation tax		
Current tax on profits for the year	7,251	*-*
Current tax on profits or the year - group relief	5,753	*6,868*
Adjustments in respect of prior years	29	*(578)*
	13,033	*6,290*
Foreign tax		
Foreign tax on income for the year	13	*-*
	13	*-*
Total current tax	13,046	*6,290*
Deferred tax		
Origination and reversal of timing differences	-	*463*
Total deferred tax	-	*463*
Taxation on profit	13,046	*6,753*

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than *(2018 - lower than)* the standard rate of corporation tax in the UK of 19.00% *(2018 - 19.00%)*. The differences are explained below:

	2019 £000	*2018* *£000*
Profit before tax	**68,413**	*39,062*
Profit multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	**12,998**	*7,422*
Effects of:		
Expenses not deductible for tax purposes	**19**	*2*
Income not taxable	**-**	*(6)*
Adjustments to tax charge in respect of prior periods	**29**	*(578)*
Change in accounting policy - IFRS 15	**-**	*(87)*
Total tax charge for the year	**13,046**	*6,753*

Factors that may affect future tax charges

A reduction in the UK corporation tax return from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 April 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly.

8. Dividends

	2019 £000	*2018* *£000*
£10.83 per ordinary share	**32,500**	-
	32,500	-

9. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2019	**132**
At 31 December 2019	**132**

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
International Design Engineering & Services Limited	Aberdeen International Business Park, Dyce Drive, Aberdeen, AB21 0BR	Ordinary	100%

10. Debtors

	2019 £000	2018 £000
Trade debtors	4,017	16,948
Contract assets	-	4,413
Amounts owed by group undertakings	95,427	70,229
Other debtors	91	575
Corporation tax	-	16
	99,535	92,181

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

11. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	45	6,531
Amounts owed to group undertakings	7,545	9,345
Corporation tax	4,151	-
Contract liabilities	6,624	-
Accruals	2,114	20,116
	20,479	35,992

12. Share capital

	2019 £000	*2018* *£000*
Allotted, called up and fully paid		
3,000,000 *(2018 - 3,000,000)* Ordinary shares of £1.00 each	**3,000**	*3,000*

13. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

14. Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard 101 from disclosing transactions with two or more members of the Aker Solutions ASA group, provided that any subsidiary which is a party to the transaction is wholly owned within the group.

The Company has no transactions with related parties that are not 100% owned within the group.

15. Controlling party

The Company's immediate parent company is Aker Solutions Holding AS, a company incorporated in Norway. The registered office address of Aker Solutions Holding AS is Oksenoyveien 8 1366 Lysaker, Norway.

The only Group in which the results of the Company are consolidated is that headed by the Company's ultimate parent, Aker Solutions ASA, a public listed company incorporated in Norway. The consolidated financial statements of this Group are publicly available and may be obtained from the Group's website at www.akersolutions.com or from the registered office address at PO Box 169, NO-1325 Lysaker, Norway.