Registered No. 3418736

Petrofac (Malaysia-PM304) Limited
(Registered No. 3418736)

Report and Financial Statements

31 December 2020

Petrofac (Malaysia – PM304) Limited

Registered No. 3418736

Directors
Mike Cannavina
Pierre Tollis

Auditors
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Bankers
Standard Chartered Bank
Menara Standard Chartered
Level 13, 30 Jalan Sultan Ismail
50250 Kuala Lumpur
PO Box 13570
50814 Kuala Lumpur

Registered office
117 Jermyn Street
London
SW1Y 6HH

Petrofac (Malaysia – PM304) Limited

Registered No. 3418736

Strategic report

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

Principal activities and review of the business

Petrofac (Malaysia - PM304) Limited is a limited liability company registered and incorporated in England and Wales. The Company is a wholly owned subsidiary of Petrofac Energy Developments International Limited (the immediate parent), a limited liability company incorporated in Jersey, Channel Islands.

The Company's principal activity is, and will continue to be, the acquisition, appraisal, development and the production of oil and natural gas in Malaysia.

The Cendor field averaged production of approximately 11,505 (2019: 14,340) barrels per day in 2020.

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

	2020 *US$000*	*2019* *US$000*	*Change* *%*
Turnover	**40,646**	89,745	(55%)
Operating loss before taxation	**(102,541)**	(89,954)	(14%)
Loss after tax	**(85,963)**	(97,271)	12%
Equity shareholder's deficit	**(226,370)**	(140,407)	(61%)
Current assets as a percentage of current liabilities	**(62%)**	(54%)	(15%)
Average number of employees	**267**	280	(5%)

Principal risks and uncertainties

The Company's key risks and uncertainties are described below. This list does not purport to be exhaustive. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems to be immaterial, may also impact on the performance of the business.

Covid-19

Following the outbreak of COVID-19 (Coronavirus) in 2020, the Company along with the wider oil industry has witnessed unprecedented macro-economic uncertainty. The scale, duration and impact of the global pandemic, combined with the sharp downward trend in oil price, is at this time unclear. The management team have put in place a comprehensive plan to guide the business through this difficult period and are assessing the effects of the plan on a regular, ongoing basis. Risk reviews are conducted, and mitigation activities implemented. To date, operations have not been materially impacted by the pandemic and development plans have been executed on schedule.

Expiration of Production Sharing Contract ("PSC")

The full field development including recovery of oil from contingent resources requires a period beyond the expiry of the current PSC in February 2026. Management is in discussion with Petronas to extend the term of the PSC.

Health and Safety

The Company conducts its operations within a strict health and safety regime. Failure to comply with the relevant regulations could adversely affect its reputation and future revenues. The culture of health and safety within the Company is a key element of its operational and business activities. Effective health and safety management is vital to the system of business management and is integral to the delivery of quality and business excellence. Petrofac Limited, the ultimate parent company has made improvements to mitigate the risks, a number of HSSEIA deep dives were conducted to identify and address key related concerns and a number of HSSEIA standards have been published and a driving safety policy video was circulated. A number of HSSEIA standards have been updated and published.

Strategic report (continued)

Cost inflation

The Company is operating in the oil and gas industry which requires substantial capital expenditure, whereby any price escalation will have an adverse effect on the profitability of the Company. The Company has substantially reduced its capital expenditure programme and is working on keeping costs within the approved budget.

Exchange rates

The Company is in the business of oil and gas production where the currency is the US Dollar while some of its expenses are in Malaysian Ringgit, therefore there is a mismatch between the revenue and cost. These exposures will be actively managed using forward contracts at the ultimate parent company level (Petrofac Limited).

Business continuity

The Company is potentially exposed to, inter alia, natural hazards, act of terrorism, war and civil unrest that could impact its infrastructure, either through unavailability of physical assets or access to systems and procedures. The Company mitigates this risk through its business continuity plan, which seeks to minimize disruption from any such act, in part through the availability of alternative facilities.

Oil and gas price

The financial performance of the Company, and the carrying value of certain assets, are directly impacted by oil and gas price volatility. Hedging activities are undertaken by other Petrofac group companies. The Group hedges its commodity risks through fixed price swap or options contracts on the volumes impacting the net profit posts tax, the hedge contracts are settled in cash on expiry.

Section 172 (1) Statement

The directors consider, both individually and collectively, that they have acted in a way they consider, in good faith, to be most likely to promote the success of the Group and the Company for the benefit of its stakeholders and matters set out in s172 (1) of the Companies Act 2006 in respect of decisions taken during the year. The directors have a duty to promote the success of their Company for the benefit of the shareholder as a whole, whilst having regard for the interests of employees, the success of their relationships with suppliers and customers, the impact of their operations on the community and environment and maintaining a reputation for high standards of business conduct.

Corporate governance stakeholder interests which the directors have considered when discharging their duty under s172 (1) are detailed below:

Shareholder

The Board recognises the importance of establishing and maintaining good relationships with the take into consideration the views of our investors and shareholder in our strategy discussions to enable us to provide the information that will drive informed investment decisions.

Employees

Our employees, their attitude and skills set us apart from our competitors. We are committed to ensuring we have safe and effective working environments, which can enable everyone within the business to perform to their true potential, in an inclusive environment with fair labour practices.

Communities

We actively support local communities to address local issues responsibly, to develop closer ties, and to manage the social and environmental impacts of our business, which we believe will bring long-term sustainability to the communities where we work.

Clients

To understand the needs and concerns of our clients and communicate on various operating issues so that they are understood and considered, while gaining relevant feedback and views, in the identification of growth opportunities.

Strategic report (continued)

Suppliers
Wherever the Company operates, we are committed to employing local people, working with local suppliers, and developing local capabilities.

Governments, regulators, and industry bodies
We work with governments on a range of issues, as government policy and regulation can have implications for our business.

On behalf of the board

Pierre Tollis
Director

14 December 2021

Directors' report

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

Results and dividends

The loss for the year, after taxation, amounted to US$85,963,000 (2019 – US$97,271,000). The Company has not paid a dividend in respect of the year ended 31 December 2020 (2019 - NIL).

Future developments

The Company will continue to develop the PM304 block and management continues to seek a favourable outcome on the ongoing discussion relating to the extension /re-negotiation of the Profit Sharing Contract (PSC) with Petronas.

Employees

The policy and practice of the Company is to seek to encourage and assist the employment of disabled persons, subject to their ability to perform the duties of the job without exposing themselves or other employees to abnormal risk. The training, career development and promotion of disabled persons is similarly encouraged and assisted. Arrangements are made wherever possible for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes and abilities.

The Company's employment policies are designed to meet local conditions and requirements. The Board acknowledges the need to encourage employee involvement in the improvement of the Company's performance by supplying information on matters of concern through regular consultation with employees and by participation of employees in joint problem-solving activities.

Information is provided by various means including briefing groups, audio/visual presentations, the ultimate parents company's intranet and other publications.

Directors

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

Nigel Hooker (resigned 30 July 2021)
Mike Cannavina
Suzi-Eliza Potter (resigned 30 July 2021)
Pierre Tollis (appointed 30 July 2021)

Going concern

In assessing whether the financial statements for the Company should be prepared on the going concern basis, the directors have considered the future outlook of the Company. The directors have received written confirmation that Petrofac Energy Developments International Limited (the immediate parent) will continue to provide support to enable the Company to pay its liabilities as and when they become due. As such, in assessing the ability of the Company to continue as a going concern, the directors have to consider the outlook and financial situation of the immediate parent, as well as the ultimate parent (Petrofac Limited) and the Petrofac Group.

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

Directors' report (continued)

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

Disclosure of information to the auditors

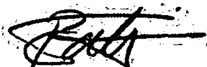
The directors who were members of the board at the time of approving the director's report are listed on page 5. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- to the best of each director's know and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with s.485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the Board of Directors



Pierre Töllis
Director
14 December 2021

Directors' responsibilities statement

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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (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, including Financial Reporting Standard 101 "Reduced Disclosure Framework", have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Petrofac (Malaysia – PM304) Limited

Registered No. 3418736

Independent auditors' report

to the members of Petrofac (Malaysia - PM304) Limited

Opinion

We have audited the financial statements of Petrofac (Malaysia – PM304) Limited for the year ended 31 December 2020 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditors' report (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are FRS 101 "Reduced Disclosure Framework", Companies Act 2006, the UK Bribery Act, employment law, environmental regulations, health and safety, and local tax legislation.

Independent auditors' report (continued)

- We understood how Petrofac (Malaysia – PM304) Limited is complying with those frameworks by making enquiries of management, those charged with governance, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Group's Audit Committee, as well as by considering the results of our audit procedures. Our assessment considered the tone set from the from the top by senior management and the emphasis placed on a culture of honest and ethical behaviour.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with individuals from various parts of the business to gather their views. We considered the programmes and controls that the group has established to address the risks identified, or that otherwise prevent, deter or detect fraud; and how senior management monitors those programmes and controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with laws and regulations that could give rise to a material misstatement in the financial statements . Our procedures focused on enquires of management, those charged with governance and the risk of management override through procedures on accounting estimates and journal entry testing.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Colin Brown (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 14 December 2021

Petrofac (Malaysia –PM304) Limited

Registered No. 3418736

Income Statement

For the year ended 31 December 2020

	Notes	*2020*	*2019*
		US$000	*US$000*
Turnover	3	**40,646**	89,745
Cost of sales		**(46,407)**	(74,317)
Gross (loss)/profit		**(5,761)**	15,428
Administrative expenses		**(11,427)**	(8,281)
Impairment	6	**(64,000)**	(69,562)
Other operating income		**425**	111
Other operating expenses		**(34)**	(34)
Operating loss	4	**(80,797)**	(62,338)
Interest payable		**(21,744)**	(27,616)
Loss before taxation		**(102,541)**	(89,954)
Tax credit/(expense)	9	**16,578**	(7,317)
Loss for the financial year		**(85,963)**	(97,271)

All activities relate to continuing operations.

The Company has no other comprehensive income for the current and preceding financial year. Therefore, no separate statement of other comprehensive income has been presented.

Petrofac (Malaysia-PM304) Limited

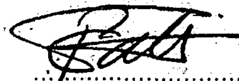
Registered No. 3418736

Statement of Financial Position

As at 31 December 2020

	Notes	2020 US$000	2019 US$000
Non-current assets			
Intangible assets	11	12,681	17,057
Tangible assets	10	172,847	240,118
Trade and other receivables – amounts falling due after one year	14	151,472	220,316
		337,000	477,491
Current assets			
Stock	12	4,085	1,580
Trade and other receivables– amounts falling due within one year	13	135,522	128,803
Cash and cash equivalents		14,854	16,260
		154,461	146,643
Creditors: amounts falling due within one			
Trade and other payables	15	(250,498)	(270,696)
Net current liabilities		(96,037)	(124,053)
Total assets less current liabilities		240,963	353,438
Creditors: amounts falling due after one year			
Provisions	18	(41,543)	(40,212)
Amounts owed to a group undertaking	22	(311,300)	(210,570)
Other financial liabilities	19	(114,490)	(243,063)
Net liabilities		(226,370)	(140,407)
Capital and reserves			
Share capital	21	20,299	20,299
Profit and loss account	20	(246,669)	(160,706)
Equity shareholder's deficit		(226,370)	(140,407)

The financial statements were approved for issue by the Board on 14 December 2021



Pierre Tollis
Director

Petrofac (Malaysia –PM304) Limited

Registered No. 3418736

Statement of Changes in Equity

For the year ended 31 December 2020

	Issued Share capital US$000	*Profit and loss account US$000*	*Total Equity US$000*
At 1 January 2019	20,299	(63,435)	(43,136)
Loss for the financial year, representing total comprehensive loss	-	(97,271)	(97,271)
Share based payments expense	-	214	214
Funding of share based payments expense	-	(214)	(214)
At 31 December 2019	20,299	(160,706)	(140,407)
Loss for the financial year, representing total comprehensive loss	**-**	**(85,963)**	**(85,963)**
Share based payments expense	**-**	**94**	**94**
Funding of share-based payments expense	**-**	**(94)**	**(94)**
At 31 December 2020	**20,299**	**(246,669)**	**(226,370)**

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

The separate financial statements of Petrofac (Malaysia PM304) Limited (the "Company") for the year ended 31 December 2020 were authorised for issue by the board of directors on and the statement of financial position was signed on the board's behalf by Pierre Tollis. Petrofac (Malaysia - PM304) Limited is incorporated and domiciled in England. Its registered address is 117 Jermyn Street, London SW1Y 6HH.

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and in accordance with applicable accounting standards.

The Company's financial statements are presented in US Dollars and all values are rounded to the nearest thousand dollars (US$000) except when otherwise indicated.

The principal accounting policies adopted by the Company are as set out in note 2.

2. Accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020.

The separate financial statements have been prepared on a historical cost basis. Certain items of inventory are carried at net realisable value.

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

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

  and in both cases, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations* provided that equivalent disclosures are included in the consolidated financial statements if the group in which the entity is consolidated.
- The requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of IFRS 7 *Financial Instruments: Disclosures*, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirements of paragraphs 91 to 99 of IFRS 13 *Fair Value Measurement* provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- The requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 *Property, Plant and Equipment;*
  - paragraph 118(e) of IAS 38 *Intangible Assets;*

Notes to financial statements
At 31 December 2020

2. Accounting policies (continued)

2.1 Basis of preparation (continued)

- paragraphs 76 and 79(d) of IAS 40 *Investment Property; and*
- paragraph 50 of IAS 41 *Agriculture.*

- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 *Presentation of Financial Statements.*
- The requirements of IAS 7 *Statement of Cash Flows.*
- The requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*
- The requirements of paragraph 17 and 18A of IAS 24 *Related Party Disclosures.*
- The requirements of IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 *Impairment of Assets,* provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.

2.2 Going concern

In assessing whether the financial statements for the Company should be prepared on the going concern basis, the directors have considered the future outlook of the Company. The directors have received written confirmation that Petrofac Energy Developments International Limited (the immediate parent) will continue to provide support to enable the Company to pay its liabilities as and when they become due. As such, in assessing the ability of the Company to continue as a going concern, the directors have to consider the outlook and financial situation of the immediate parent, as well as the ultimate parent (Petrofac Limited) and the Petrofac Group.

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

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

2.3 Adoption of new financial reporting standards, amendments and interpretations

Effective new financial reporting standards

The Company adopted amendments to IFRS 3 'Business Combinations' a definition of a business and amendment to IFRS 16 'Leases' COVID-19 related rent concession. The nature and effect of the changes are described below.

2. Accounting policies (continued)

Amendments to IFRS 3 'Business Combinations': definition of a business

The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments: clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; add guidance to help entities assess whether an acquired process is substantive; narrow the definitions of a business and of outputs; and introduce an optional fair value concentration test.

Upon adoption of the interpretation, the Company had assessed that the amendment do not have an impact on the financial statements.

Amendments to IFRS 16 'Leases': COVID-19 related rent concession

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

The Company had assessed the amendment and determined there is no impact on the financial statements as no rent concessions had been received during the year.

2.4 *Financial reporting standards, amendments* and interpretations issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below and include only those standards and amendments that are likely to have an impact on the financial performance, position and disclosures of the Company at a future date. The Company intends to adopt these standards when they become effective.

Amendments to IFRS 16 'Leases: COVID-19 Related Rent Concessions beyond 30 June 2021

On 31 March 2021, the International Accounting Standards Board ("IASB") published Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The Changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021; require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued). The Company does not intend to apply the amendment early.

2 Accounting policies (continued)

2.5 Significant accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

Development costs

Development costs are capitalised in accordance with the accounting policy given below. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when the field development has reached a defined milestone according to an established project management model. In determining the amount to be capitalised management has made assumptions regarding the expected future cash generation of the asset, discount rates to be applied and expected period of benefit. At 31 December 2020 the carrying amount of capitalised development costs is US$114,257,000 (2019: US$144,799,000).

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Further details are contained in note 9.

Decommissioning costs

The recognition and measurement of decommissioning provisions involves the use of estimates and assumptions which include the existence of an obligation to dismantle and remove a facility or restore the site on which it is located, the appropriate discount and inflation rates to use in determining the net present value of the liability, the estimated costs of decommissioning based on internal and external estimates and the payment dates for expected decommissioning costs. As a result, actual costs could differ from estimated cost estimates used to provide for decommissioning obligations. The provision for decommissioning at 31 December 2020 of US$41,543,000 (2019: US$40,212,000) represents management's best estimate of the present value of the future decommissioning costs required.

Impairment of oil and gas assets

At each statement of financial position date, the Company reviews the carrying amounts of its tangible and intangible assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Fair value less costs of disposal is based on the risk-adjusted discounted cash flow models and includes value attributable to contingent resources. A post-tax discount rate is used in such calculations.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Notes to financial statements

At 31 December 2019

2. Accounting policies (continued)

2.6 Significant Accounting Policies

Revenue recognition

The Company's contracts with customers for the sale of crude oil generally include one performance obligation. The Company concluded that revenue from sale of crude oil should be recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the crude oil. Therefore, the adoption of IFRS 15 did not have any impact on revenue recognition.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment in value. Cost comprises the purchase price or construction cost and any costs directly attributable to making that asset capable of operating as intended. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation is provided on a straight-line basis, other than on oil and gas assets, at the following rates:

Oil and gas assets	- Unit of production basis
Right-of-use assets	- over useful life
Office equipment	- 20%
Furniture and fittings	- 20%

Each asset's estimated useful life, residual value and method of depreciation are reviewed and adjusted if appropriate at each financial year end.

Expenditure carried within each field is amortised from the commencement of production on a unit of production basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs required to recover the commercial reserves remaining. Changes in the estimates of commercial reserves or future field development costs are accounted for prospectively.

No depreciation is charged on assets under construction.

The carrying amount of an item of tangible fixed assets is derecognised on disposal or when no future economic benefits are expected to arise from its use or disposal. The gain or loss arising from the derecognition of an item of tangible fixed assets is included in the income statement when the item is derecognised. Gains are not classified as revenue.

Development expenditures

Expenditures relating to development of assets which includes the construction, installation and completion of infrastructure facilities such as platforms, pipelines and vessels are capitalised within tangible fixed assets as oil and gas facilities. Expenditures relating to the drilling (including related materials) and completion of production wells are capitalised within tangible fixed assets as oil and gas assets.

Notes to financial statements

At 31 December 2020

2. Accounting policies (continued)

2.6 Significant Accounting Policies (continued)

Intangible Assets

Expenditure directly associated with evaluation (or appraisal) activities is capitalised as an intangible oil and gas asset and are carried at cost less any accumulated impairment losses. Such costs include the costs of acquiring an interest, appraisal well drilling costs, payments to contractors and an appropriate share of directly attributable overheads incurred during the evaluation phase. For such appraisal activity, which may require drilling of further wells, costs continue to be carried as an asset whilst related hydrocarbons are considered capable of commercial development. Such costs are subject to technical, commercial and management review to confirm the continued intent to develop, or otherwise extract value. When this is no longer the case, the costs are written-off in the income statement. When such assets are declared part of a commercial development, related costs are transferred to tangible oil and gas assets. All intangible oil and gas assets are assessed for any impairment prior to transfer and any impairment loss is recognised in the income statement.

There is no amortisation on evaluation (or appraisal) activities.

Trade and other receivables

A trade receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets on pages 22 and 23.

Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised in the income statement as a finance cost.

Foreign currencies

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

US dollars is the currency of the primary economic environment in which the entity operates. This is the currency that primarily influences sales prices for goods and services, labour, material and other costs of providing goods and services.

Transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods or services provided to the Company prior to the end of the financial year that are unpaid and arise when the entity becomes obliged to make future payments in respect of the purchase of these goods and services.

Financial assets and financial liabilities

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

2. Accounting policies (continued)

2.6 *Significant Accounting Policies* (continued)

Financial Assets

Initial recognition and measurement

Financial assets are classified at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value, transaction costs that are attributable to the acquisition of the financial asset.

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

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

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

Subsequent measurement

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

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

This category is the most relevant to the Company and generally applies to trade and other receivables, receivable from joint operation partners for finance leases and advances relating to provision for decommissioning liability. The Company measures financial assets at amortised cost if both of the following conditions are met:

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

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

The Company does not have any financial assets recorded at fair value through profit or loss.

2. Accounting policies (continued)

2.6 Significant Accounting Policies (continued)

Financial assets (continued)

Impairment of financial assets

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

For other financial assets measured at amortised cost ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). There was no significant increase in the credit risk for such financial assets since the initial recognition.

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

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

Notes to financial statements
At 31 December 2020

2. Accounting policies (continued)

2.6 *Significant Accounting Policies* (continued)

Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Financial liabilities include trade and other payables and loans and borrowings

Subsequent measurement

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

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

The Company has no financial liabilities at fair value or through profit or loss.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest payable in the income statement.

This category generally applies to interest-bearing loans and borrowings.

Derecognition of financial assets and liabilities

Financial assets

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

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

Financial liabilities

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

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

Notes to financial statements
At 31 December 2020

2. Accounting policies (continued)

2.6 *Significant Accounting Policies (continued)*

Offsetting of financial instruments

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

Income taxes

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

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position.

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

Stock

Stocks are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost comprises purchase price, cost of production, transportation and other directly allocable expenses. Costs of inventories, other than raw materials, are determined using the first-in-first-out method. Costs of raw materials are determined using the weighted average method.

2. Accounting policies (continued)

2.6 *Significant Accounting Policies (continued)*

Cash and cash equivalents

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

Leases

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

Right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the right-of-use asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are subject to the same impairment requirements as those applicable to oil and gas properties, see accounting policies associated with Impairment of non-current assets in note 2.5.

Lease liabilities

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

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

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

The Company's lease liabilities are included in other financial liabilities line items of the statement of financial position, see note 17.

2. Accounting policies (continued)

2.6 *Significant Accounting Policies (continued)*

Leases (continued)

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property, plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of property, plant and equipment that are considered of low value (i.e. below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term in cost of sales or other operating expenses line items of the income statement.

Joint operations

The Company's interests in joint operations are recognised in relation to its interest in a joint operation's:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

Under joint operations, Company incurred expenses and its share of the revenue earned are recognised in the income statement. Assets controlled and liabilities incurred by the Company are recognised in the statement of financial position.

3. Revenue from contracts with customers

The Company's revenue and loss before taxation are derived entirely from the Company's share of sales from the processing or sale of hydrocarbons on an entitlement basis in Malaysia. The Company's normal revenue credit term is 34 (2019: 34) days.

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	Year ended 31 December 2020	*Year ended 31 December 2019*
Geographical markets	*US$'000*	*US$'000*
Malaysia	28,777	67,793
Singapore	11,869	12,921
Thailand	-	9,031
Total revenue from contract with customers	**40,646**	**89,745**
Type of good or service		
Sale of crude oil	40,646	89,745
Customer Type		
Government	-	9,031
Non-Government	40,646	80,714
Total revenue from contract with customers	**40,646**	**89,745**
Timing of revenue recognition		
Goods transferred and associated performance obligations satisfied at a point in time	40,646	89,745

Revenue disclosed in the above tables is based on where the customer is located. Revenue representing greater than 10% of Company revenue arose from three customers (2019: four customers).

4. Operating loss

This is stated after charging/(crediting):

	2020	*2019*
	US$000	*US$000*
Depreciation of owned fixed assets	19,240	32,561
Depreciation of right-of-use assets	14,109	21,599
Impairment of tangible fixed assets	59,624	43,635
Impairment of intangible assets	4,376	25,927
Lease rentals		
- office premises	3	3
- plant and machinery	228	320
Net income on foreign currency translation	(398)	(71)

5. Auditors remuneration

The Company paid the following amounts to its auditors in respect of the financial statements:

	2020 US$000	2019 US$000
Audit of the financial statements	70	118

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of its ultimate parent Petrofac Limited.

6. Exceptional items

	2020 US$000	2019 US$000
Recognised in arriving at the loss before tax:		
Impairment of tangible fixed assets	59,624	43,635
Impairment of intangible assets	4,376	25,927
	64,000	69,562

Impairment of assets and fair value re-measurements

Internal and external impairment indicators existed at 30 June 2020, predominantly arising from the COVID-19 pandemic and sharp fall in oil prices. Consequently, the Group performed an impairment review of the carrying amount of its Block PM304 oil and gas assets on a fair value less cost of disposal basis (Level 3 of the 'fair value hierarchy' contained within IFRS 13 'Fair Value Measurement') using a post-tax discount rate of 9.5% (2019: 9.5%), which resulted in a pre-tax impairment charge of US$64m, post-tax US$64m (2019: US$70m, post-tax US$86m) in the Integrated Energy Services operating segment. At 31 December 2020, impairment indicators associated with the failure of gas lift riser were identified and consequently management performed an additional impairment review of the carrying amount of its Block PM304 oil and gas assets on a fair value less cost of disposal basis. No additional impairment was identified as a result of this review.

These reviews involved assessing the field operational performance; robustness of the future development plans; oil price and licence extension assumptions and the recoverability of deferred tax asset carrying amount. As a result of this review an impairment of US$64m was allocated proportionately to property, plant and equipment (US$60m; see note 10) and intangible oil and gas assets (US$4m; see note 11. The oil price assumptions used by management were US$45 per barrel for 2021, US$50 per barrel for 2022, US$55 per barrel for 2023, US$60 per barrel for 2024, and a 2.0% oil price escalation for the period 2025 and beyond (2019: US$60 per barrel for 2020, US$65 per barrel for 2021 and 2022 and a 3.0% oil price escalation was used for period 2023 and beyond). The oil price assumption and the likelihood of a license extension beyond 2026 were the most sensitive input in determining the fair value less cost of disposal, a further 10% decrease in oil prices would result in an additional pre-tax impairment charge of US$38m (post-tax US$38m) and a further 10% decrease in the likelihood of a license extension beyond 2026 would result in an additional pre-tax impairment charge of US$13m (post-tax US$13m).

Fair value less costs of disposal is determined by discounting the post-tax cash flows expected to be generated from oil and gas production net of disposal costs considering assumptions that market participants would typically use in estimating fair values. Post-tax cash flows are derived from projected production profiles for each asset considering forward market commodity prices over the relevant period and, where external forward prices are not available, the Group's Board-approved business planning assumptions were used. As each field has different reservoir characteristics and contractual terms, the post-tax cash flows for each asset are calculated using individual economic models, which include assumptions around the amount of recoverable reserves, production costs, life of the field/licence period and the selling price of the commodities produced.

Notes to financial statements
At 31 December 2020

7. Staff costs

	2020	*2019*
	US$000	*US$000*
Wages and salaries	**6,930**	4,980
Social security costs	**15**	17
Staff pension contributions	**576**	700
Others	**460**	516
	7,981	6,213

The monthly average number of employees during the year was 267 (2019: 280) during the year under full time employment contracts.

The pension costs represent contributions payable by the Company to a defined contribution scheme and employees' personal arrangements.

Wages and salaries include a charge of US$93,830 for share-based payments (2019: US$214,544).

8 Directors' remuneration

The directors of the Company are employed and remunerated by other Petrofac Group companies. The directors received total remuneration for the year of US$ 819,987 (2019: US$2,155,450) and were issued Nil shares (2019: 41,094) in Petrofac Limited all of which was paid by the ultimate holding Company and other fellow subsidiaries. The remuneration paid to the highest paid director was US$ 369,070 (2019: US$1,203,519) and was issued Nil shares (2019: 15,316). The directors do not believe that it is practicable to apportion the amount between their services as directors of the Company and their services as directors of the holding and fellow subsidiary companies.

9. Taxation

(a) Tax expense /(credit) in the income statement

	2020	*2019*
	US$000	*US$000*
Current Income Tax:		
UK corporation tax		
Adjustments in respect of previous years	-	57
Current income tax	-	-
Total current income tax	-	57
Deferred Tax:		
Foreign exchange difference	(3,356)	(997)
Origin and reversal of timing difference	9,280	(3,984)
Derecognition of deferred tax previously recognised	(21,199)	11,084
Adjustments in respect of previous years	(1,303)	1,157
Total deferred tax	(16,578)	7,260
Tax credit/ expense reported in the income statement	(16,578)	7,317
Deferred tax related to items charged directly to equity	-	-

(b) Reconciliation of the total tax charge

The tax expense/(credit) in the income statement for the year is different than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020	*2019*
	US$000	*US$000*
Accounting loss before taxation	(102,541)	(89,954)
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19%)	(19,483)	(17,091)
Adjustments in respect of previous years	(1,303)	1,214
Other permanent differences	(2,720)	(997)
Expenditure not allowable for income tax purposes	(153)	26,554
Adjustments in respect of losses not previously recognised/derecognised	-	11,084
Unrecognised tax losses	26,564	3,644
Expected tax charge in higher rate jurisdictions	(19,483)	(17,091)
Total tax credit/ expense reported in the income statement	(16,578)	7,317

(c) Unrecognised tax losses

A deferred tax asset is recognised for tax losses to the extent that there are suitable future taxable profits forecasted.

(d) Change in Corporation Tax rate

The rate of corporation tax was reduced to 19% from 1 April 2017 in the Budget of July 2015 and the rate change was substantively enacted on 26 October 2015. It was reduced to 17% from 1 April 2020 in the Budget of March 2016 and this rate change was substantively enacted on 6 September 2016. However, in the Spring Budget of March 2020 the government announced that the rate would remain at 19% and this rate change was substantively enacted on 17 March 2020. The rate was subsequently increased to 25% with effect from 1 April 2021 in the Budget of March 2021 and this rate change was substantively enacted on 24 May 2021.

9. Taxation (continued)

(e) Deferred tax

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

	2020 *US$000*	2019 *US$000*
Deferred tax (asset)/ liability		
Accelerated capital allowances	5,956	8,091
Decommissioning	(4,406)	(5,960)
Finance lease	15,253	7,025
Losses	(56,061)	(33,033)
Other	(4,280)	(3,449)
	(43,538)	(27,326)
Disclosed on the statement of financial position		
Deferred tax asset	(43,538)	(27,326)
	(43,538)	(27,326)

	2020 *US$000*	2019 *US$000*
Deferred tax in the income statement:		
Accelerated capital allowances	(2,135)	(6,490)
Decommissioning	1,554	1,479
Finance lease	8,228	3,599
Tax losses carried forward	(23,028)	8,971
Other deferred tax expense	(1,197)	(299)
Deferred tax credit	(16,578)	7,260

10. Tangible fixed assets

	Office Equipment US$000	*Furniture and Fittings US$000*	*Oil and gas properties US$000*	*Right-of-use assets US$000*	*TOTAL US$000*
Cost					
At 1 January 2020	2,133	73	529,548	187,933	719,687
Additions	46	-	26,605	3	26,654
Written off	(257)	(43)	(4,192)	-	(4,492)
At 31 December 2020	1,922	30	551,961	187,936	741,849
Accumulated depreciation & impairment					
At 1 January 2020	1,993	73	384,768	92,735	479,569
Depreciation charge for the year	34	-	19,206	14,109	33,349
Written off	(257)	(43)	(3,240)	-	(3,540)
Impairment	-	-	36,970	22,654	59,624
At 31 December 2020	1,770	30	437,704	129,498	569,002
Net carrying amount					
At 31 December 2020	**152**	**-**	**114,257**	**58,438**	**172,847**
At 31 December 2019	140	-	144,780	95,198	240,118

11. Intangible assets

	2020	*2019*
	US$000	*US$000*
Cost:		
At 1 January	**17,057**	42,984
Impairment	**(4,376)**	(25,927)
At 31 December	**12,681**	17,057

12. Stock

	2020	*2019*
	US$000	*US$000*
Crude oil	**3,517**	1,368
Production inventory	**568**	212
	4,085	1,580

The stock balance has been valued at the lower of cost and net realisable value. Inventories expensed of US$45,522,000 (2019: US$73,163,000) were included within cost of sales in the income statement.

13. Trade and other receivables

	2020	*2019*
	US$000	*US$000*
Trade and other debtors	**3,367**	14,236
Amounts due from group undertakings	**10**	363
Tax receivables	**366**	864
Partner receivables	**131,779**	113,340
	135,522	128,803

14. Trade and other receivables – amounts falling due after one year

	2020	*2019*
	US$000	*US$000*
Partner receivables	**80,143**	170,143
Abandonment advance	**27,791**	22,847
Deferred tax assets	**43,538**	27,326
	151,472	220,316

15. Trade and other payables - amounts falling due within one year

	2020 *US$000*	*2019* *US$000*
Lease liabilities - current (note 17)	**139,866**	130,485
Trade creditors	**2,188**	5,092
Amounts owed to Group undertakings – current	**46,275**	98,723
Other creditors and accruals	**62,169**	35,586
	250,498	270,696

16. Capital commitments

The Company had capital commitments amounting to US$25,125,000 as at 31 December 2020 (2019 - US$56,367,000).

17. Leases

The Company has lease contract for various items of oil and gas facilities, buildings and vehicles used in its operation. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets.

The Company also has certain leases of office buildings with lease terms of 12 months or less and leases of office equipment with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(a) Right-of-use assets

The Group recognises right-of-use assets, within property, plant and equipment line item of the consolidated balance sheet, at the commencement date of the lease (i.e. the date at which the underlying asset is available for use). The carrying amounts of right-of-use assets recognised and the movements during the period are disclosed in note 10.

(b) Lease liabilities

The table below provides details of lease liabilities included under current and non-current liabilities in the statement of financial position:

	2020 *US$000*	*2019* *US$000*
Finance lease liabilities carrying amounts under IAS 17 reclassified at the date of initial application	-	453,465
Transition adjustment	-	23,402
Lease liabilities as at 1 January	**373,548**	476,867
Additions	**10**	247
Interest	**20,176**	27,343
Payments	**(139,289)**	(131,036)
Translation difference	**(89)**	(127)
At 31 December	254,356	373,548

The above lease liabilities include a 70% gross up of US$178,049,200 (2019: US$261,483,600) on leases in respect of right-of-use assets relating to Block PM304 in Malaysia, which is necessary to reflect the legal position of the Company as the contracting entity for these leases. The leases include a renewal option of up to two years and a purchase option at the end of the lease term.

Notes to financial statements

At 31 December 2020

17. Leases (continued)

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

	2020 *US$000*	*2019* *US$000*
Depreciation charge in respect of right-of-use assets	**14,109**	21,599
Finance expense recognised associated with lease liabilities	**6,053**	8,203
Lease expense recognised for short-term leases and leases for low-value assets	**11**	18

(d) Future lease payments

Set out below are the future lease payments in respect of leases for right-of-use assets. These have remaining non-cancellable lease terms of between one and seven years. The undiscounted future minimum rental commitments under these non-cancellable leases are as follows:

	Future minimum lease payments *US$000*	*Finance expense* *US$000*	*Present value* *US$000*
31 December 2020			
The commitments are as follows:			
Not later than one year	144,249	10,687	133,562
After one year but not more than five years	113,853	15,824	98,029
More than five years	11,602	301	11,301
Present value of minimum lease payments	**269,704**	**26,812**	**242,892**

	Future minimum lease payments *US$000*	*Finance expense* *US$000*	*Present value* *US$000*
31 December 2019			
The commitments are as follows:			
Not later than one year	150,678	20,193	130,485
After one year but not more than five years	240,733	26,276	214,457
More than five years	30,400	1,794	28,608
Present value of minimum lease payments	**421,811**	**48,263**	**373,548**

18. Decommissioning provision

	2020 *US$000*	*2019* *US$000*
At 1 January	40,212	36,938
Arising during the year	-	647
Revision to decommissioning estimate	-	1,083
Unwinding of discount	1,331	1,544
At 31 December	41,543	40,212

The decommissioning provision relates to the Company's obligation for the removal of facilities and restoration of the site at the PM304 block in Malaysia. These provisions have been estimated using existing technology, at current prices and discounted using a discount rate of 3.31% (2019: 3.31%). While the provision is based on the best estimate of future costs and the economic lives of the production facilities and related pipelines, there is uncertainty regarding both the amount and timing of incurring these costs. The Company estimates that the cash outflows against these provisions will arise in 2026. The unwinding of discount is classified as interest payable.

19. Other financial liabilities

	2020 *US$000*	*2019* *US$000*
Lease liabilities - non-current	114,490	243,063

The finance lease liabilities relate to the oil and gas facilities, buildings and vehicles. At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

20. Reserves

Profit and loss account

The balance held on this account is the retained profit / (losses) of the Company.

21. Share capital

	Authorised	
	2020 *US$000*	*2019* *US$000*
2 Ordinary shares of £1 each	-	-
20,298,825 Ordinary share of US$1 each	20,299	20,299
5,000,000 Preference shares of US$1 each	5,000	5,000
	25,299	25,299

	Allotted, called-up and fully-paid			
	2020		*2019*	
	No.	*US$000*	*No.*	*US$000*
Ordinary shares of £1 each	2	-	2	-
Ordinary share of US$1 each	20,298,825	20,299	20,298,825	20,299
		20,299		20,299

Notes to financial statements
At 31 December 2020

22. Amounts owed to a Group undertaking

	2020	*2019*
	US$000	*US$000*
Amounts owed to a Group undertaking - non-current	311,300	210,570

The amount owed to Group undertakings is the facility provided by a Group Company which bears an interest rate of LIBOR + 3.5%, this is due for payment by end of December 2022.

23. Ultimate Group undertaking

The Company is an immediate subsidiary undertaking of Petrofac Energy Developments International Limited, a Company incorporated in Jersey with registered office at Intertrust Corporate Services (Jersey) Limited, 44 Esplanade, St. Helier, Jersey JE4 9WG.

Petrofac Limited, the ultimate parent Company and controlling party, is a Company incorporated in Jersey, and heads the smallest and largest group in which the results of the Company are consolidated.

Copies of the Petrofac Limited group and Company financial statements can be obtained from the Petrofac Limited Registered Office, 44 Esplanade, St Helier, Jersey JE4 9WG.

24. Events after the balance sheet date

On 5 April 2021, the Mobile Offshore Production Unit ("MOPU") lease contract amendment and extension has been approved by PETRONAS. The contract has been extended from 1 May 2021 to 30 September 2026 (the lease term based on the previous 2018 MOPU contract was from 24 June 2018 to 30 April 2021). There had also been changes to the daily charter rate of US$39,999/day (previous daily charter rate US$80,750/day from 1 January 2020 to 31 January 2020 and US$70,000/day from 1 January 2021 to 30 April 2021). The Company considers the change in the MOPU contract to be a non-adjusting event after the reporting period as the contract were not approved at the end of the reporting period, thus making the contract not enforceable at the reporting period. The related impact on right-of-use assets and lease labilities is to be accounted for prospectively from the date the approval is obtained from PETRONAS. The Branch has recognised the impact of the lease modification to the lease liabilities (US$15,800,000), right-of-use assets (US$4,700,000) and receivables from joint operation partners (US$11,000,000).