

EXTERRAN SERVICES (UK) LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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EXTERRAN SERVICES (UK) LIMITED

COMPANY INFORMATION

Directors	Mr C Donnet Mr H Qureshi (resigned 10 March 2017) Mr G Saligram (appointed 10 March 2017)
Registered number	05128575
Registered office	c/o King and Spalding 125 Old Broad Street London EC2N 1AR
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham West Midlands B4 6AT

EXTERRAN SERVICES (UK) LIMITED

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EXTERRAN SERVICES (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Introduction

The directors present their Strategic Report for the year ended 31 December 2017.

Business review

Exterrann Services (UK) Limited operates the (JJVL 1&2) Jamshoro liquid petroleum gas (LPG) and natural gas liquids (NGL) extraction facility in the Sindh Province of Pakistan. This turnkey project is the largest LPG Extraction Plant in Pakistan processing over 200 million standard cubic feet per day of natural gas (MMSCFD). The plant produces in excess of 450 metric tons of LPG and 130-metric tons of NGL a day. Initially Jamshoro Joint Venture Limited (JJVL) awarded this contract to Exterrann for five years then extended it for five more years until September 2015. Due to changes in contract between SSGC & JJVL, JJVL and Exterrann renegotiated the O&M contract and Exterrann was awarded a new contract for further three years from October 2014 to September 30, 2017.

Exterrann group sold another cryogenic extraction LPG & NGL plant to JJVL in 2007. The plant has capacity to process 125 million standard cubic feet (MMSCFD) per day of natural gas. The plant produces in excess of 280 metric tons of LPG and 80 metric tons of NGL a day depending upon the specification of natural gas. Installation of JJVL was delayed due to shortage of gas for processing but subsequently the customer arranged gases from KPD, Bobi and Naimat Basel gas streams. Construction of JJVL-2 has been completed and plant is up and running. JJVL awarded the operating and maintenance contract to Exterrann Services (UK) Limited for three years from October 01, 2014 to September 30, 2017.

Amendments have been made to the contract which was rolled forward until 30 June 2018, after which a standby arrangement was put in place. The contract is currently being re-negotiated, and the outcome is yet to be determined, see further comments within the going concern section.

Future Outlook

The Company's contract with JJVL for operating the JJVL 1 & 2 Jamshoro liquid petroleum gas and natural gas liquids extraction facility in the Sindh Province of Pakistan was extended to 30 June 2018, after which a standby arrangement was put in place. The standby arrangement is to maintain the JJVL equipment in operational condition. The contract expired at 30 September 2018. Contract negotiations are ongoing and the Company is hopeful that normal operations can be resumed shortly.

Business objectives

Create Values for our Customer

- Ensure smooth running of both plants and achieve guaranteed propane recovery of more than 95% with maximum reliability without any down time.
- Employ predictive maintenance to ensure high availability of equipment by reducing or eliminating unplanned shutdowns. Equipment that keeps running enables the customer to keep production stable
- Continuous improvement in safety and strive to change mind set.

Focus on Our Core Business

- Actively pursue all significant gas compression opportunities within our portfolio, influencing customer specifications toward our solutions.
- Explore market and potential customers to provide solutions to their problems.

EXTERRAN SERVICES (UK) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Be a Global Leader in Compression

- Focus on building the recognition of the Exterrann brand in the marketplace.
- Build lasting relationships with new potential customers.

Be a Cost Leader

- Consistently review and improve project management concepts, structure and skills.
- Identify and address process improvement opportunities for installation projects.
- Improve productivity and team engagement.
- Emphasize margin improvement in evaluating new opportunities and contract extensions.
- Improve AMS (Aftermarket services) profitability and secure profitable contracts to make this business attractive.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties facing the company are as follows:

- Devaluation trend in Pakistani rupee.
- Inflation expected to be around 5.5% or more.
- Law & order and situation in Pakistan.
- Ongoing viability of JJVL contract

The directors monitor these risks and uncertainties and manage the impact as required.

Financial risk management

The company has exposure to credit risk, price risk and liquidity risks.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The company has a significant concentration of credit risk, as the exposure of trade receivables is limited to one customer. The directors consider that the relationship with this customer is strong enough to mitigate this risk to acceptable levels.

Liquidity risk

The company has a policy of continuous assessment of its funding requirements and arranges financing with regard to its operational needs. The company has prepared forecasts extending to December 2018 and is satisfied that the company has adequate resources to fund its day to day requirements, growth and strategic objectives for the foreseeable future. Accordingly the financial statements have been prepared on the going concern basis.

Price risk

The company's exposure to the price of gas is high, therefore selling prices are monitored regularly to reduce the impact of such risk. Wherever possible contracts are entered into with customers to reduce risk.

EXTERRAN SERVICES (UK) LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Key performance indicators

The company produces detailed management reports and accounts on a monthly basis and a number of Key Performance Indicators ("KPIs") are an integral part of this process. The monthly management accounts and reports focus on the actual performance of the business compared to the Annual Business Plan set for the current financial year and the comparable period of the previous financial year.

The financial KPIs that are a part of this review process include EBITDA, Cost of Goods Sold and General and Administration Overheads as a percentage of Turnover. Non-financial measures include employee numbers, which are given in Note 7 of the financial statements.

	2017	2016
	%	%
EBITDA	15.0	58.6
Cost of Goods Sold	49.4	29.0
General and Administrative Overheads	35.6	12.5

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


Mr C Donnet
Director

Date: 31/10/2018

EXTERRAN SERVICES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to \$1,118,417 (2016: \$5,008,868).

The directors do not recommend a dividend for the year.

Directors

The directors who served during the year were:

Mr C Donnet

Mr H Qureshi (resigned 10 March 2017)

Mr G Saligram (appointed 10 March 2017)

Going concern

The financial statements have been prepared on the basis that the company is a going concern. The company's contract for operating the JJVL1 & 2 Jamshoro liquid petroleum gas and natural gas liquids extraction facility in the Sindh Province of Pakistan expired on 30 September 2017. Amendments have been made to the contract which was rolled forward until 30 June 2018, after which a standby arrangement was put in place. The contract is currently being re-negotiated, and the outcome is yet to be determined, and as such the directors have recognised that uncertainty as to the future trading position of the company. However, the ultimate parent company, Exterran Corporation, has formally provided financial support to the company in fulfilling its liabilities as they fall due for a period of at least 12 months from the approval of the financial statements, and accordingly the financial statements have been prepared on a going concern basis.

EXTERRAN SERVICES (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and 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;
- 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. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EXTERRAN SERVICES (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Qualifying third party indemnity provisions

The company has provided qualifying third party indemnity provisions in respect of the board of directors which were in force during the year and at the date of this report.

Matters covered in the strategic report

The business review, financial risk management, objectives and policies have been included in the Strategic Report.

Post balance sheet events

In May 2018, the Company's subsidiary Exterran Oman Holdings LLC acquired the outstanding 30% share of the Company's subsidiary Exterran Middle East LLC from Al Hassan Technical and Construction Supplies LLC in exchange for the \$116,475 note that Exterran Oman Holdings LLC held on Al Hassan. As part of the same transaction, the Company sold its 70% share of Exterran Middle East LLC to its subsidiary Exterran Holdings LLC for \$274,449.

During 2018, the Company signed two extensions to its JJVL contract to cover the first two quarters of 2018. At the termination of the second extension, the Company signed a standby agreement to maintain the JJVL equipment in operational condition for the third quarter of the 2018 calendar year. The contract is currently being re-negotiated, and the outcome is yet to be determined.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



Mr C Donnet
Director

Date: 31/10/2018



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXTERRAN SERVICES (UK) LIMITED

Opinion

We have audited the financial statements of Exterranean Services (UK) Limited for the year ended 31 December 2017, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit 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 United Kingdom, including the Financial Reporting Council'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.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXTERRAN SERVICES (UK) LIMITED
(CONTINUED)**

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report by the Companies Act 2006

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 the Directors' Report.

Matters on which we are required to report by exception

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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXTERRAN SERVICES (UK) LIMITED
(CONTINUED)

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 5, 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.

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



John Coates BSc BFP FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
Date: 31 October 2018

EXTERRAN SERVICES (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 \$	2016 \$
Turnover	4	5,001,605	8,378,750
Cost of sales		(2,472,214)	(2,429,329)
Gross profit		2,529,391	5,949,421
Administrative expenses		(1,778,260)	(1,043,555)
Operating profit	5	751,131	4,905,866
Interest receivable and similar income	8	819,223	695,401
Interest payable and similar charges	9	(101,824)	(22,219)
Profit before tax		1,468,530	5,579,048
Tax on profit	10	(350,113)	(570,180)
Profit for the financial year		1,118,417	5,008,868

There was no other comprehensive income for 2017 (2016:\$NIL).

The notes on pages 14 to 29 form part of these financial statements.

EXTERRAN SERVICES (UK) LIMITED
REGISTERED NUMBER:05128575

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 \$	2016 \$
Fixed assets			
Tangible assets	11	56,277	51,903
Investments	12	116,475	116,475
		<u>172,752</u>	<u>168,378</u>
Current assets			
Inventories	13	1,099,315	1,138,763
Debtors: amounts falling due within one year	14	32,405,016	31,142,654
Cash at bank and in hand	15	282,016	68,563
		<u>33,786,347</u>	<u>32,349,980</u>
Creditors: amounts falling due within one year	16	(7,705,684)	(7,481,908)
Net current assets		<u>26,080,663</u>	<u>24,868,072</u>
Total assets less current liabilities		<u>26,253,415</u>	<u>25,036,450</u>
Provisions for liabilities			
Gratuity provision	18	(1,086,300)	(987,752)
		<u>(1,086,300)</u>	<u>(987,752)</u>
Net assets		<u>25,167,115</u>	<u>24,048,698</u>
Capital and reserves			
Called up share capital	19	2	2
Profit and loss account	20	25,167,113	24,048,696
Shareholders' funds		<u>25,167,115</u>	<u>24,048,698</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


Mr C Donnet
 Director

Date: 31/10/2018

The notes on pages 14 to 29 form part of these financial statements.

EXTERRAN SERVICES (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Retained earnings	Total equity
	\$	\$	\$
At 1 January 2017	2	24,048,696	24,048,698
Comprehensive income for the year			
Profit for the year	-	1,118,417	1,118,417
At 31 December 2017	<u>2</u>	<u>25,167,113</u>	<u>25,167,115</u>

The notes on pages 14 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Retained earnings	Total equity
	\$	\$	\$
At 1 January 2016	2	19,039,828	19,039,830
Comprehensive income for the year			
Profit for the year	-	5,008,868	5,008,868
At 31 December 2016	<u>2</u>	<u>24,048,696</u>	<u>24,048,698</u>

The notes on pages 14 to 29 form part of these financial statements.

EXTERRAN SERVICES (UK) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	2017 \$	2016 \$
Cash flows from operating activities		
Profit for the financial year	1,118,417	5,008,868
Adjustments for:		
Depreciation of tangible assets	8,139	9,119
Interest paid	101,824	22,219
Interest received	(819,223)	(695,401)
Taxation charge	350,113	570,180
Decrease/(increase) in stocks	39,448	(480,194)
Decrease/(increase) in debtors	462,800	(972,652)
(Increase) in amounts owed by groups	(1,725,196)	(4,276,241)
Increase in creditors	54,203	193,206
Increase in amounts owed to groups	268,156	638,949
Corporation tax (paid)	(350,113)	(570,180)
Net cash generated from operating activities	(491,432)	(552,127)
Cash flows from investing activities		
Purchase of tangible fixed assets	(12,514)	(37,773)
Purchase of fixed asset investments	-	(116,475)
Interest received	819,223	695,401
Net cash from investing activities	806,709	541,153
Cash flows from financing activities		
Interest paid	(101,824)	(22,219)
Net cash used in financing activities	(101,824)	(22,219)
Net increase/(decrease) in cash and cash equivalents	213,453	(33,193)
Cash and cash equivalents at beginning of year	68,563	101,756
Cash and cash equivalents at the end of year	282,016	68,563
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	282,016	68,563
	282,016	68,563

The notes on pages 14 to 29 form part of these financial statements.

EXTERRAN SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. Company information

Exterrrean Services (UK) Limited is a company with limited liability incorporated in England and Wales, it's registered office is c/o King & Spalding, 125 Old Broad Street, London, EC2N 1AR. The financial statements cover the year ending 31 December 2017.

The principal activity of Exterrrean Services (UK) Limited is the provision of services for the extraction of oil and gas, specifically the operation of an oil and gas extraction plant in Pakistan.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on the basis that the company is a going concern. The company's contract for operating the JJVL1 & 2 Jamshoro liquid petroleum gas and natural gas liquids extraction facility in the Sindh Province of Pakistan expired on 30 September 2017. Amendments have been made to the contract which was rolled forward until 30 June 2018, after which a standby arrangement was put in place. The contract is currently being re-negotiated, and the outcome is yet to be determined, and as such the directors have recognised that uncertainty as to the future trading position of the company. However, the ultimate parent company, Exterrrean Corporation, has formally provided financial support to the company in fulfilling its liabilities as they fall due for a period of at least 12 months from the approval of the financial statements, and accordingly the financial statements have been prepared on a going concern basis.

EXTERRAN SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures & fittings	- 3-7 years
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.5 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

EXTERRAN SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.6 Investments in subsidiaries

Investments in subsidiary undertakings are stated at cost less amounts written off.

2.7 Inventories

Inventory is stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a weighted average basis.

At each reporting date, inventory is assessed for impairment. If inventory is impaired, the carrying amount is reduced to net realisable value. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the

EXTERRAN SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.10 Financial instruments (continued)

asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.13 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

EXTERRAN SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.14 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.16 Taxation

Tax is recognised in the Statement of Comprehensive Income, 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 reporting date in the countries where the company operates and generates income.

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

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Significant management estimates

Trade debtors

Trade debtors consist of amounts due from the customer. An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of the company's customer to make required payments. The allowance is based on the company's regular assessment of the creditworthiness and financial conditions of the customer.

Stocks

Certain factors could affect the realisable value of the company's stocks, including customer demand and market conditions. The company considers historic usage, product obsolescence and other factors when evaluating the value of stock.

Gratuity provision

The length of expected service impacts the gratuity provision recognised at the year-end. The company considers post year-end events and the current status of the contract negotiations when evaluating the period to include in the post employment benefit calculation.

EXTERRAN SERVICES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

4. Turnover

The whole of the turnover is attributable to the principle activity of the business.

Analysis of turnover by country of destination:

	2017 \$	2016 \$
Pakistan	5,001,605	8,378,750

5. Operating profit

The operating profit is stated after charging:

	2017 \$	2016 \$
Depreciation of tangible fixed assets	8,140	9,119
Exchange differences	66,096	51,692
Operating lease rentals - plant and machinery	15,490	16,957
Operating lease rentals - other operating leases	42,623	72,568
Reversal of inventory impairment provision	-	(607,709)

During the previous financial year, a new inventory procurement policy was implemented for all Exterrann Group companies. According to the policy, inventory held in one company, can be sold to another company within the Exterrann Group. As a result of this policy, some of the inventory held by Exterrann Services (UK) Ltd, which were previously classified as obsolete could now be sold to other companies within the Exterrann Group. The directors of the company decided in 2016 to release a portion of the inventory provision.

During the year, no director received any emoluments (2016: \$Nil).

6. Auditor's remuneration

	2017 \$	2016 \$
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	23,373	24,603
Fees payable to the company's auditor for other assurance services	1,845	1,845
Fees payable to the company's auditor for tax compliance services	1,267	1,015

EXTERRAN SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7. Employees

Staff costs were as follows:

	2017 \$	2016 \$
Wages and salaries	1,530,637	1,731,505
Social security costs	161,302	178,947
	<u>1,691,939</u>	<u>1,910,452</u>

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

	2017 No.	2016 No.
Administration	9	9
Production	56	43
	<u>65</u>	<u>52</u>

8. Interest receivable and similar income

	2017 \$	2016 \$
Interest receivable from group undertakings	<u>819,223</u>	<u>695,401</u>

9. Interest payable and similar charges

	2017 \$	2016 \$
Interest payable from group undertakings	<u>101,824</u>	<u>22,219</u>

EXTERRAN SERVICES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Taxation

	2017 \$	2016 \$
Foreign tax		
Foreign tax on income for the year	<u>350,113</u>	<u>570,180</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016: *lower than*) the standard rate of corporation tax in the UK of 19% (2016: 20%). The differences are explained below:

	2017 \$	2016 \$
Profit on ordinary activities before tax	<u>1,468,530</u>	<u>5,579,048</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2016: 20%)	279,021	1,115,810
Effects of:		
Non taxable in the UK	(279,021)	(1,115,810)
Pakistan tax on income receipted in the year	350,113	570,180
Total tax charge for the year	<u>350,113</u>	<u>570,180</u>

Factors that may affect future tax charges

The main rate of corporation tax reduced to 19% from 1 April 2017 and will further reduce to 18% from 1 April 2020 (a change which was substantially enacted as of 21 July 2015 as part of the Finance Bill 2015).

EXTERRAN SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

11. Tangible fixed assets

	Fixtures & fittings \$
Cost or valuation	
At 1 January 2017	162,949
Additions	12,514
At 31 December 2017	<u>175,463</u>
Depreciation	
At 1 January 2017	111,046
Charge for the year on owned assets	8,140
At 31 December 2017	<u>119,186</u>
Net book value	
At 31 December 2017	<u>56,277</u>
At 31 December 2016	<u>51,903</u>

EXTERRAN SERVICES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

12. Fixed asset investments

	Investments in subsidiary companies \$
Cost or valuation	
At 1 January 2017	390,924
At 31 December 2017	390,924
Impairment	
At 1 January 2017	274,449
At 31 December 2017	274,449
Net book value	
At 31 December 2017	116,475
At 31 December 2016	116,475

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Exterranean Middle East LLC	Ordinary	70 %	Natural gas compression production and processing
Exterranean Oman Holdings LLC	Ordinary	100 %	Natural gas compression production and processing
Exterranean International Holdings LLC	Ordinary	100 %	Natural gas compression production and processing

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves \$	Profit/(loss) \$
Exterranean Middle East LLC	1	1
Exterranean Oman Holdings LLC	116,475	1
Exterranean International Holdings LLC	1	1

EXTERRAN SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

12. Fixed asset investments (continued)

During the prior year, the company acquired 100% of the share capital of Exterranean Oman Holdings LLC and Exterranean International Holdings LLC.

13. Inventories

	2017	2016
	\$	\$
Raw materials and consumables	1,099,315	1,138,763

Inventory recognised in cost of sales during the year as an expense was \$178,860 (2016: \$251,951).

An impairment reserve of \$292,499 (2016: \$270,086) was held against stock at the year end due to slow-moving and obsolete stock.

14. Debtors: amounts falling due in less than one year

	2017	2016
	\$	\$
Trade debtors	6,400,876	6,865,969
Amounts owed by group undertakings	25,929,244	24,204,048
Other debtors	20,482	19,405
Prepayments and accrued income	53,721	52,505
Tax recoverable	693	727
	32,405,016	31,142,654

An impairment loss of \$Nil (2016: £Nil) was recognised against trade debtors.

Amounts owed by group undertakings are unsecured, repayable on demand and interest is charged at 7% on these amounts.

15. Cash and cash equivalents

	2017	2016
	\$	\$
Cash at bank and in hand	282,016	68,563

EXTERRAN SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

16. Creditors: Amounts falling due within one year

	2017 \$	2016 \$
Trade creditors	54,065	21,677
Amounts owed to group undertakings	7,453,832	7,185,676
Accruals and deferred income	197,787	274,555
	<u>7,705,684</u>	<u>7,481,908</u>

Amounts owed to group undertakings are unsecured, repayable on demand and interest charged at 7% on these amounts.

17. Financial instruments

	2017 \$	2016 \$
Financial assets		
Financial assets measured at fair value through profit or loss	282,016	68,563
Financial assets that are debt instruments measured at amortised cost	32,350,602	31,089,422
	<u>32,632,618</u>	<u>31,157,985</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(7,705,684)</u>	<u>(7,481,908)</u>

Cash and cash equivalents comprise cash in hand, deposits and highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Financial assets measured at amortised cost comprise trade debtors, amounts owed by group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings and accruals.

EXTERRAN SERVICES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

18. Provisions

	Gratuity provision \$
At 1 January 2017	987,752
Charged to profit or loss	98,548
At 31 December 2017	<u>1,086,300</u>

The Directors believe recognising the post employment benefits as a provision, rather than an accrual, is the most appropriate treatment and as such amounts have been adjusted out of accruals and recognised separately as a provision.

19. Share capital

	2017 \$	2016 \$
Allotted, called up and partly paid		
1 Ordinary shares share of \$1	<u>2</u>	<u>2</u>

20. Reserves

Profit & loss account

The profit and loss account includes all current and prior period retained profits and losses.

21. Capital commitments

The company had no capital commitments as at 31 December 2017 or 31 December 2016.

22. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 \$	2016 \$
Not later than 1 year	20,641	59,324
Later than 1 year and not later than 5 years	-	18,210
	<u>20,641</u>	<u>77,534</u>

EXTERRAN SERVICES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

23. Other financial commitments

The company had no financial commitments, guarantees or contingencies not included in the Statement of Financial Position as at 31 December 2017 or 31 December 2016.

EXTERRAN SERVICES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

24. Related party transactions

The company has transacted with the following fellow group companies during the year:

	2017 \$	2016 \$
Exterrann Energy Solutions LP		
Trade purchases	(237,477)	(368,865)
Recharges	(553,223)	(126,792)
Interest	(102,162)	(21,492)
Amounts due (to) / from Exterrann Energy Solutions LP	(7,049,541)	(6,156,679)
Exterrann Middle East LLC		
Interest	135,537	443,000
Transfer	41	(86)
Amounts due (to) / from Exterrann Middle East LLC	18,391,486	18,255,908
Exterrann Compressor Services BV		
Recharges	(29,605)	(26,984)
Transfer	-	-
Amounts due (to) / from Exterrann Compressor Services BV	407,406	437,011
Exterrann Eastern Hemisphere		
Transfer	-	-
Recharges	(115,089)	(127,376)
Amounts due (to) / from Exterrann Eastern Hemisphere	(333,570)	(218,480)
Exterrann Holdings Co NL B.V.		
Transfer	1,710,835	3,542,538
Interest	359,556	251,673
Recharges	-	(116,475)
Amounts due (to) / from Exterrann Holdings Co NL B.V.	6,542,896	4,472,505
Exterrann Bharain S.P.C.		
Trade purchases	-	-
Recharges	39,446	28,295
Amounts due (to) / from Exterrann Bharain S.P.C.	69,177	29,731
Exterrann Pakistan (Private) Limited		
Recharges	55,688	26,295
Revaluation	-	-
Amounts due (to) / from Exterrann Pakistan (Private) Limited	104,722	49,034
EEH FZE - Iraq Branch		
Recharges	61,224	184
Amounts due (to) / from EEH FZE - Iraq Branch	61,408	184
Exterrann Water Solutions ULC		
Amounts due (to) / from Exterrann Water Solutions ULC	(993)	(993)
PT Exterrann Indonesia		
Transfer	-	-
Amounts due (to) / from Exterrann Indonesia	(7,097)	(7,097)
Exterrann (Thailand) Limited		
Trade purchases	-	8,792
Amounts due (to) / from Exterrann (Thailand) Limited	-	-
Exterrann Gulf FZE		
Trade purchases	139,096	127,805
Amounts due (to) / from Exterrann Gulf FZE	299,562	160,465
Exterrann Nigeria Limited		
Trade purchases	(3,216)	(3,216)
Amounts due (to)/from Exterrann Nigeria Limited	(10,044)	(3,216)

EXTERRAN SERVICES (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

24. Related party transactions (continued)

25. Controlling party

The company is a wholly owned subsidiary of Exterran Holding Company NL B.V., a company registered in the Netherlands.

However, the directors consider that the ultimate parent undertaking and controlling related party of this company is Exterran Corporation (formerly Exterran Holdings Inc), which is registered in the United States.

The largest group of undertakings for which the group accounts have been drawn up is that headed by Exterran Corporation, which is incorporated in the United States; Group accounts are available from the company's registered office at 4444 Brittmoore Road, Houston, Texas 77041, or the group's website www.exterran.com.