Registered Number 200086

Technip UK Limited

Annual report and financial statements

for the year ended 31 December 2018

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Strategic Report for the year ended 31 December 2018

The directors present their Strategic Report for the year ended 31 December 2018.

Principal activity

The company's principal activity is that of a fully integrated subsea contractor and supplier of subsea products.

Business model

The company is a leader in the energy industry, focused on the execution of subsea projects deploying our front end and execution engineering capabilities, our fleet and our technologies, products and services along with our offshore construction and intervention skills. Our excellent project execution is driven by best-in industry subsea products, systems, services and expertise including:

- rigid and flexible pipe – both cost effective and highly reliable means for transporting oil and gas in shallow and deep water;
- umbilicals providing power, control and fluid transportation;
- subsea production systems including xmas trees, controls and connectors;
- Subsea construction and installation;
- Inspection, repair and maintenance ("IRM") activities to maintain integrity and availability of client assets;
- Asset integrity and riser integrity;
- Decommissioning of subsea infrastructures to assist operators in returning the seabed to its natural state; and
- Management of vessel fleet and personnel.

By merging two leaders in subsea production systems (SPS) and umbilicals, risers and flowlines (SURF) we can deliver what no other competitor can – a full water column and seabed solution from a trusted partner. Integrating those key facets of a subsea energy project creates cost savings, optimised architecture, reduced contractual risks and improved performance over the life of field. This strategy relies on the following priorities:

- Integrated project solution;
- Maintaining its local presence in high potential regional markets;
- Increasing its presence in new and emerging market segments;
- Further improving project execution economics;
- Improving the efficiency of its fleet of vessels;
- Upgrading its manufacturing capabilities for subsea trees, wellheads, flexible pipeline and umbilicals; and
- Developing the technologies and know-how required to serve subsea projects in increasingly deep waters and harsh environment; and
- Commitment to delivering cost savings to our clients.

Business review

The company's key financial performance indicators during the year were as follows:

Financial

	2018 £000	2017 £000
Turnover	**790,197**	871,619
Operating (loss) profit	**(87,713)**	108,186
Adjusted operating profit *	**56,846**	108,186
(Loss) / profit for the financial year	**(78,934)**	43,716
Adjusted profit for the financial year **	**41,050**	43,716

* Adjusted for the impact of vessel impairment of £144,559 (2017: £nil)
** Adjusted for the impact of vessel impairment of £144,559 and associated deferred tax £24,575 (2017: £nil)

Strategic report *(continued)*

Business review (continued)

The reduction in revenue is driven by a combination of factors. There were less Group International projects executed by Technip UK Ltd in 2018 compared to 2017 so this resulted in a revenue reduction. This reduction was partly offset by increased revenue on projects delivered in the UK in 2018.

The 2018 adjusted profit reflects the delivery of projects that were awarded in a difficult market but also saw completion of a number of large projects resulting in an improved position reported on UK projects. The profitability overall was however lower than the previous year due to significantly lower margins reported on International projects compared to 2017 which had close out of a number of large projects.

The Directors of the company manage the group's operations on a divisional basis. For this reason, the company's Directors believe that analysis using other non-financial key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business. See note 27 for details of where copies of the Group's financial statements can be obtained.

Principal risks and uncertainties

Any sustained oil price drop will impact the long term investing ability from traditional funders and Private Equity, who have recently been attracted back to the North Sea.

Further information regarding the principal risks and uncertainties facing the wider TechnipFMC group can be found in the TechnipFMC plc 2018 Annual Report.

Quality, Health, Safety, Environment and Security (QHSES)

Safety, Quality and sustainability are part of TechnipFMC's foundational beliefs. We strive to continually improve our performance in this area, with especially strong focus on our safety performance. Our Pulse and IQ QHSE culture change programme has been refreshed and rollout commenced with our senior leaders, globally. Technip UK's performance in this area is among the best in the group, with a strong focus on working with our clients in project-specific Pulse/IQ events.

In safety, Technip UK deployed the industry standard IOGP 9 lifesaving rules, by doing so we are an industry leader, ahead of many of our clients. As well as improving safety performance, this commitment is part of our support for industry-wide initiatives. We continue to invest in training, with specific courses with a focus on risk perception, toolbox talks, and investigation skills to improve our performance and learn from incidents.

Our group serious incident (SIF) process demonstrates our commitment to continuous improvement, with executives from the highest level working with employees to ensure we learn from every incident.

In health, we are focussing increasingly on the importance of mental health, in addition to our mental health first aiders, we have a new wellbeing program being rolled out to our managers and we utilise the International Marine Contractors Association (IMCA) resilience programme.

We are working continually to reduce our environmental impact, with waste and greenhouse gas reduction projects alongside improvements to our recycling rates. In 2018 we were awarded the IMCA sustainability award for our efforts to reduce single use plastics across our fleet.

The company has continued reviewing and improving its management systems and assurance processes. We have certified quality, environmental, safety and health management elements to the following standards ISO 9001:2015, ISO 14001:2015 & OHSAS 18001:2007.

Strategic report *(continued)*

Future developments

On 17 January 2017, TechnipFMC Plc (TechnipFMC) began operating as a unified company with the completion of the FMC Technologies Inc. and Technip SA merger. With our proprietary technologies and production systems, integrated expertise, and comprehensive solutions, we are transforming our clients' project economics. We are uniquely positioned to deliver greater efficiency across project lifecycles from concept to project delivery and beyond. Through innovative technologies and improved efficiencies, our offering unlocks new possibilities for our clients in developing their oil and gas resources.

We expect ongoing restructuring of the whole subsea market during 2019, continuing the Merger and Acquisition activity that has seen Chrysaor and Ithaca take major existing licences. The trend from independent operators and new entrants will likely continue. The long-term fundamentals of our business remain strong and the company is well positioned and has the right technical skills to take advantage of trends in subsea markets. Sustained higher oil prices have encouraged new capital investment and increased the number of expected field development approvals.

In 2019, we expect to see steady growth in subsea market activity. We anticipate that our iEPCI capabilities will assist in securing an increase in our inbound orders as the integrated project delivery model gains further acceptance in the market. In addition, we anticipate the following longer-term trends in the subsea market:

- Increased market adoption of integrated subsea projects, leading to further market penetration and higher levels of iEPCI order activity for the group;
- Satellite and tie-back brownfield projects of a small to medium scale will continue to dominate our order mix along with IRM (inspection, repair and maintenance) intervention and decommissioning activities; and
- Our market will continue to trend towards independent operators and new entrants undertaking subsea developments; we are a natural partner for this customer group because of our ability to offer fully integrated solutions.

We continue to work closely with our customers and believe that, in the context of lower oil prices, with our unique business model we can further reduce their project break-even levels by offering cost-effective solutions to their project developments and accelerate first production.

The United Kingdom's proposed withdrawal from the European Union may have a negative effect on global economic conditions, financial markets, and our business.

Technip UK is based in the United Kingdom and as part of the TechnipFMC wider group, we have operational headquarters in Paris, France; Houston, Texas, United States; and in London, United Kingdom, with worldwide operations, including material business operations in Europe. In June 2016, a majority of voters in the United Kingdom elected to withdraw from the European Union in a national referendum ("Brexit"). The referendum was advisory, and the United Kingdom government served notice under Article 50 of the Treaty of the European Union in March 2017 to formally initiate a withdrawal process. The United Kingdom and the European Union have had a two-year period under Article 50 to negotiate the terms for the United Kingdom's withdrawal from the European Union. The withdrawal agreement and political declaration that were endorsed at a special meeting of the European Council on November 25, 2018 did not receive the approval of the United Kingdom Parliament in January 2019. Further discussions are ongoing, although the European Commission has stated that the European Union will not reopen the withdrawal agreement. An extension of the negotiation period for withdrawal has been agreed with the European Union to the end of October 2019. Brexit has created significant uncertainty about the future relationship between the United Kingdom and the European Union.

Strategic report *(continued)*

Future developments (continued)

If the United Kingdom and the European Union are unable to negotiate mutually acceptable withdrawal terms or if other E.U. member states pursue withdrawal, barrier-free access between the United Kingdom and other E.U. member states or within the European Economic Area overall could be diminished or eliminated. Any of these factors could have a material adverse effect on our business, financial condition and results of operations. The impacts on our business have been assessed in key areas: Trade & Customs, People & Immigration and Strategy & Regulation and mitigation plans established.

On behalf of the Board

William E. Morrice
Director

One St Paul's Churchyard
EC4M 8AP

12 September 2019

Directors' report

The directors present their report and audited financial statements of the company for the year ended 31 December 2018.

Results and dividends

The results of the company are set out on page 10. The loss for the financial year is £78,934,000 (2017: profit of £43,716,000). No interim dividend (2017: £26,000,000 / £1.62 per share) was proposed and paid during the year. No final dividend has yet been declared for 2018.

Employees

Direct personal communication with employees is an integral part of the company's personnel philosophy. The company has a robust internal communications strategy and supports communication channels that ensure that all employees are communicated within a timely and relevant way. The effectiveness of internal communication is continually monitored and adjusted based on a focus group feedback program that reaches multiple levels across the company. Employees are regularly consulted and provided with information on changes and events that may affect them through channels such as regular meetings, employee representatives and the company's intranet site. These consultations and meetings ensure that employees are kept informed of the financial and economic factors affecting the company's performance and matters of concern to them as employees.

It is the policy of the company to develop a safe working environment and to offer equal opportunities to all seeking or maintaining employment with the company, including giving full consideration to applications for employment from persons with protected characteristics under the Equality Act 2010, where the requirements of the job can be adequately fulfilled.

Where existing employees become disabled during the course of their employment, the company would, where practicable, provide continuing employment under existing terms and conditions and to provide training, career development and promotion to employees with disabilities wherever appropriate.

Treasury Policies

The objectives of the company's treasury function are to manage financial risk and to minimise potentially adverse effects on reported profitability and on the cash flows of the company. The main risks associated with the company's financial assets and liabilities are set out below, as are the policies agreed for their management.

The company finances its activities with a combination of cash, short term deposits and loans from and to group undertakings to satisfy short-term cash flow needs. The company also enters into derivative transactions, principally forward currency contracts. The purpose is to manage currency risk arising from operations. The company uses these derivatives to manage only identified exposures and does not trade in derivatives for speculative purposes.

Foreign currency risk

The company buys and sells goods and services in currencies other than sterling. The company seeks to mitigate the effect of its foreign currency exposures by fixing the exchange rates of foreign currencies at the time contracts are entered into for all material foreign currency transactions. As a result the company has minimal exposure to foreign currency risks as at the balance sheet date.

Interest rate risk

The company invests any material surplus funds with group undertakings and if required borrows funds to support its activities from the same. When required the company also uses short term deposits and bank overdrafts. Interest is received or charged at market rates and although there is interest rate exposure this is not material.

Credit risk

The risk of financial loss could arise due to a counterparty's failure to honour its contracted obligations. Company policies are aimed at minimising such losses, and require that customers satisfy creditworthiness procedures and provide acceptable payment terms, supported if necessary by adequate payment security. Overdue debts are carefully monitored and appropriate action is taken for their recovery.

Directors' report *(continued)*

Treasury Policies *(continued)*

Liquidity risk

The company mitigates this risk by managing cash balances, payments and collections and by ensuring adequate credit facilities are available in conjunction with other group undertakings. Capital investment is carefully appraised to ensure an acceptable cash payback period is achieved.

Price risk

The company seeks to manage its exposure to changing market prices for services and materials by entering in to fixed price contracts and frame agreements with suppliers where it is appropriate.

Directors

The directors who held office during the year and up to the date of the signing of the financial statements were as follows:

K Boe
W Morrice
L Dupagne (resigned 31/12/18)
K Thomson
H Urquhart (appointed 31/12/18)

Directors' qualifying third party indemnity provisions

As permitted by the Articles of Association, the Directors have the benefit of an indemnity provision which is a qualifying indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' report *(continued)*

Statement of directors' responsibilities in respect of the financial statements (continued)

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.

Statement of disclosure of information to auditors

In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the Board

William E. Morrice
Director

12 September 2019

One St Paul's Churchyard
London
EC4M 8AP

Independent auditors' report to the members of Technip UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Technip UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Kevin Reynard (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
12 September 2019

Income Statement

for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Revenue	4	790,197	871,619
Cost of sales		(687,376)	(732,999)
Gross profit		102,821	138,620
Impairment of tangible fixed assets	5	(144,559)	-
Net impairment losses on financial and contract assets	5	(1,176)	-
Other operating expenses	5	(1,980)	(452)
Administrative expenses		(42,819)	(29,982)
Operating (loss) / profit	5 - 8	(87,713)	108,186
Investment income	9	3,222	-
Interest receivable and similar income	10	6,454	11,836
Interest payable and similar expenses	11	(20,290)	(33,235)
(Loss) / profit before income taxation		(98,327)	86,787
Income tax credit / (expense)	13	19,393	(43,071)
(Loss) / profit for the financial year		(78,934)	43,716

All activities are continuing.

There is no difference between the (loss) / profit on ordinary activities before taxation and the (loss) / profit for the financial year stated above, and their historical cost equivalents.

Statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 £000	2017 £000
(Loss) / profit for the financial year		**(78,934)**	43,716
Other comprehensive income / (expense):			
Items that will not be reclassified to profit or loss			
Actuarial gains / (losses) / on pension scheme	**25**	**437**	7,083
Movement on deferred tax relating to pension scheme	**13 (b)**	**(74)**	(1,204)
Other comprehensive (expense) / income:			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges	**26**	**(7,379)**	39,736
Movement on deferred tax relating to cash flow hedges	**13 (b)**	**1,401**	(7,549)
Total other comprehensive (expense) / income for the year net of tax		**(5,615)**	38,066
Total comprehensive (expense) / income for the year		**(84,549)**	81,782

Statement of financial position
as at 31 December 2018

	Note	2018 £000	2017 £000
Non-current assets			
Tangible assets	14	**558,724**	720,251
Investments	15	**4,506**	223
Non-current assets held for sale	16	**-**	6,843
		563,230	727,317
Current assets			
Inventories	17	**9,068**	7,827
Debtors	18	**522,116**	541,977
Cash at bank and in hand		**515**	811
		531,699	550,615
Creditors: amounts falling due within one year	19	**(472,061)**	(473,090)
Net current assets		**59,638**	77,525
Total assets less current liabilities		**622,868**	804,842
Creditors: amounts falling due after one year	20	**(234,137)**	(244,101)
Provisions for liabilities	21	**(56,630)**	(97,699)
Pensions and similar obligations	25	**-**	-
Net assets		**332,101**	463,042
Capital and reserves			
Called up share capital	22	**16,002**	16,002
Share premium account		**15,972**	15,972
Other reserves		**1,120**	6,063
Retained earnings		**299,007**	425,005
Total shareholders' funds		**332,101**	463,042

The financial statements of Technip UK Limited on pages 10 to 50 were approved by the Board of Directors on 12 September 2019 and were signed on its behalf by:

William E. Morrice
Director

Registered number 200086

Statement of Changes in Equity
for the year ended 31 December 2018

	Called Up Share Capital £000	Share Premium Account £000	Cash flow hedging Reserve £000	Share Based Payments Reserve £000	Retained Earnings £000	Total Sharehold /ers' funds £000
At 1 January 2017	**16,002**	**15,972**	**(30,107)**	**2,622**	**401,410**	**405,899**
Profit for the financial year	-	-	-	-	43,716	43,716
Gain on defined benefit pension plan	-	-	-	-	5,879	5,879
Other comprehensive income for the financial year	-	-	32,187	-	-	32,187
Total comprehensive income for the year	**-**	**-**	**32,187**	**-**	**49,595**	**81,782**
Equity settled share based payment transactions	-	-	-	1,361	-	1,361
Dividends paid	-	-	-	-	(26,000)	(26,000)
Transactions with owners recorded directly in equity	**-**	**-**	**-**	**1,361**	**(26,000)**	**(24,639)**
At 31 December 2017	**16,002**	**15,972**	**2,080**	**3,983**	**425,005**	**463,042**
Change in accounting policies (note 28)	-	-	-	-	(47,427)	(47,427)
At 1 January 2018	**16,002**	**15,972**	**2,080**	**3,983**	**377,578**	**415,615**
Loss for the financial year	-	-	-	-	(78,934)	(78,934)
Gain on defined benefit pension plan	-	-	-	-	363	363
Other comprehensive expense for the financial year	-	-	(5,978)	-	-	(5,978)
Total comprehensive expense for the year	**-**	**-**	**(5,978)**	**-**	**(78,571)**	**(84,549)**
Equity settled share based payment transactions	-	-	-	1,035	-	1,035
At 31 December 2018	**16,002**	**15,972**	**(3,898)**	**5,018**	**299,007**	**332,101**

Notes to the financial statements for the year ended 31 December 2018

1 Nature of operations

Technip UK Limited ("TUK" or the "Company") is a UK domiciled and incorporated company, registered in England and Wales. The company is a private limited company limited by shares. The address of its registered office is One, St Paul's Churchyard, London, EC4M 8AP. The entity's principal activities are that of a fully integrated subsea contractor and supplier of subsea products.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention as modified by derivative financial assets and liabilities measured at fair value through profit or loss and in accordance with the Companies Act 2006, as applicable to companies using FRS 101.

The company is a qualifying entity for the purpose of FRS 101 which sets out a reduced framework for a "qualifying entity", as described in the Standard. The Standard addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted International Financial Reporting Standards (IFRS). Note 27 gives details of the Company's ultimate parent and from where consolidated financial statements prepared in accordance with IFRS may be obtained.

The company was a wholly owned subsidiary of TechnipFMC plc at the balance sheet date, and is included in the consolidated financial statements of TechnipFMC plc, which are publicly available. Consequently, the company has taken advantage of the exemption from preparation and delivery to the registrar of group financial statements available under Section 400 of the Companies Act 2006. Therefore, the financial statements present information about the company as an individual undertaking and not about its group.

In these financial statements the application of FRS 101 has enabled the company to take advantage of certain disclosure exemptions that would have been required had the company adopted IFRS in full. The only such exemptions that the directors consider to be significant are:

- a cash flow statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries and other related parties;
- Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective); and
- disclosures in respect of the compensation of key management personnel

As the consolidated financial statements of the ultimate parent undertaking include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IFRS 13 Fair value measurement; and
- Certain disclosures required by IFRS 7 Financial Instrument Disclosures.

The financial statements of the company are presented in Pounds sterling, which is also the company's functional currency. All values are rounded to the nearest thousand, except where otherwise indicated.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also required management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Standards, Amendments and Interpretations Effective in 2018

The company applied IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") and IFRS 9, "Financial Instruments ("IFRS 9") for the first time. The nature and effect of the changes as a result of adoption of these new standards are described in note 28. Several other amendments and interpretations applied for the first time in 2018, but they did not have any impact on the financial statements. The company has not early adopted any standards, interpretation or amendments that have been issued but are not yet effective.

2.2 Going concern

At the balance sheet date, the company has net current assets of £59,638,000 (2017: £77,525,000).

The Directors have reviewed the most recent projections and forecasts for the next twelve months, including a review of the company's backlog of signed contracts. This review indicates that the company will have sufficient liquidity headroom and will be able to meet the capital and interest requirements of its borrowing facilities and the company's other obligations. The Directors are confident that the company has sufficient resources to meet all its liabilities as they fall due over the next twelve months. For these reasons the Directors consider it appropriate to prepare the company's financial statements on a going concern basis.

2.3 Investments

Fixed asset investments are shown at cost less provisions for impairment.

2.4 Tangible assets

Property, plant and equipment is stated at historic cost or valuation, net of depreciation and any provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Costs may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of tangible fixed assets. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Major vessel inspection costs, related to periodic dry-docking dictated by vessel classification requirements, are capitalised in the period incurred. Other subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold buildings: 50 years
Vessels: 10-25 years
Equipment: 2-10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each balance sheet date.

2 Summary of significant accounting policies (continued)

2.4 Tangible assets (continued)

An assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount (note 2.14.2).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within "other income / (expenses)" in the income statement.

2.5 Non-current assets held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probably within one year.

On initial classification as held for sale, non-current assets are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to the income statement.

2.6 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

2.7 Leases

Leases in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value and the present value of the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.8 Interest receivable and interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Other interest receivable and similar income includes interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

2.9 Financial instruments

The company use financial instruments to reduce exposure to foreign exchange risk. Hedging is used where there is a close correlation with the timing of an expected future transaction, and the instrument reduces the potential impact of fluctuations in exchange rates. Forward contracts are used in managing price fluctuations and settlements are recognised in the same period as the related transaction.

2.9.1 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement

2.9.2 Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is removed from the hedging reserve and is included in the initial carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are recycled into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss, i.e. when interest income or expense is recognised.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Fair value hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

On the discontinuance of hedge accounting, any adjustment made to the carrying amount of the hedged item as a consequence of the fair value hedge relationship, is recognised in the income statement over the remaining life of the hedged item.

2 Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

2.9.3 Classification of financial instruments issued by the company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

2.10 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.11 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised when or as control over a good or service is transferred to a customer.

2.11.1 Project revenue - revenue recognised over time

Allocation of transaction price to performance obligations - A contract's transaction price is allocated to each distinct performance obligation and recognised as revenue, when, or as, the performance obligation is satisfied. To determine the proper revenue recognition method, we evaluate whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment; some of our contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and, therefore, not distinct. For contracts with multiple performance obligations, we allocate the contract's transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract.

Variable consideration - Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. It is common for our long-term contracts to contain variable considerations that can either increase or decrease the transaction price. Variability in the transaction price arises primarily due to liquidated damages. The company considers its experience with similar transactions and expectations regarding the contract in estimating the amount of variable consideration to which it will be entitled, and determining whether the estimated variable consideration should be constrained. We include estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us.

2 Summary of significant accounting policies (continued)

2.11 Revenue recognition (continued)

2.11.1 Project revenue – revenue recognised over time (continued)

Payment terms – milestone payments and progress billings are generally issued upon completion of certain phases of the work as stipulated in the contract. Payment terms may either be fixed, lump-sum or driven by time and materials (i.e., daily or hourly rates, plus materials). Because typically the customer retains a small portion of the contract price until completion of the contract, our contracts generally result in revenue recognised in excess of billings which we present as contract assets on the statement of financial position. Amounts billed and due from our customers are classified as receivables on the statement of financial position. For certain transactions the receipt of consideration does not match the timing of the transfer of goods or services to the customer. Existence of a significant financing component is assessed at contract inception dependant on the individual contract terms and conditions.

Warranty - Certain contracts include an assurance-type warranty clause that guarantees the quality of our work and it is not deemed to be a separate performance obligation, typically between 12 to 24 months, to guarantee that the products comply with agreed specifications.

Revenue recognised over time - Our performance obligations are satisfied over time as work progresses or at a point in time when performance obligations are fulfilled and control transfers to the customer. Revenue from products and services transferred to customers over time accounted for approximately 70% of our revenue for the year ended December 31, 2018. Revenue is recognised over time using an input measure (e.g., costs incurred to date relative to total estimated costs at completion) to measure progress.

Cost-to-cost method - For our long-term contracts, because of control transferring over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. Upon adoption of the new standard we always use the cost-to-cost measure of progress for our contracts because it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Any expected losses on construction-type contracts in progress are charged to earnings, in total, in the period the losses are identified. Previously, such contracts were accounted for under IAS 11 on Construction Contracts. Accordingly, revenue on ongoing contracts was measured on the basis of costs incurred and of margin recognised at the percentage of completion. Margin was recognised only when the visibility of the riskiest stages of the contract was deemed sufficient and when estimates of costs and revenue was considered to be reliable. The percentage of completion was calculated according to the nature and the specific risk of each contract in order to reflect the effective completion of the project. This percentage of completion could be based on technical milestones defined for the main deliverables under the contracts or based on the ratio between costs incurred to date and estimated total costs at completion. As soon as the estimate of the final outcome of a contract indicated a loss, a provision was recorded for the entire loss. The gross margin of a long-term contract at completion was based on an analysis of total costs and income at completion, which are reviewed periodically and regularly throughout the life of the contract. A construction contract was considered completed when the provisional acceptance certificate is received, which occurs upon contractual transfer of ownership of the asset or temporary delivery, even if conditional.

Contract modifications - Contracts are often modified to account for changes in contract specifications and requirements. We consider contract modifications to exist when the modification either creates new, or changes the existing, enforceable rights and obligations. Most of our contract modifications are for goods or services that are not distinct from the existing contract due to the significant integration service provided in the context of the contract and are accounted for as if they were part of that existing contract. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

2.11 Revenue recognition (continued)

2.11.1 Revenue from vessel services

Around 30% of the company's revenue is generated from the provision of vessels, crew and equipment to other entities within the TechnipFMC plc group. The company's contracts with these customers typically consist of intercompany contracts or purchase orders from the other TechnipFMC plc group companies. Revenue comprises the fair value of the consideration specified in the contract (typically a day rate for the vessel and associated services) and is stated net of sales taxes (such as VAT) and discounts. The Company recognises revenue when it transfers control of the service and in the same accounting period in which the services are rendered.

2.12 Provisions

Provisions are recognised if and only if the following criteria are simultaneously met:

- the company has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount of the obligation can be reliably estimated. Provisions are measured according to the risk assessment or the exposed charge, based upon the best-known elements.

The company provides for warranty costs arising from its long term contracts. At the conclusion of the project, an assessment is made of potential claims that may arise under the contract warranty clauses. Where a specific risk is identified and the potential for a claim is assessed as probable and can be reliably estimated, an appropriate warranty provision is recorded. Warranty provisions are reversed at the end of the warranty period except where claims are still outstanding.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised as interest expense.

2.13 Inventories

Stock is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs included in bringing them to their existing location and condition. Provision is made for slow moving, obsolete or defective stock where appropriate.

2.14 Impairment (excluding stocks and deferred tax assets)

2.14.1 Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued)

2.14 Impairment (excluding stocks and deferred tax assets)

2.14.2 Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

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

2.15 Current and deferred income tax

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

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

The current tax charge can also include group relief payable to group companies for the value of losses surrendered in the period and reflected as a payable to the relevant group company.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities when there is an intention to settle the balance on a net basis.

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Summary of significant accounting policies (continued) ***2.16 Employee benefits***

2.16.1 Defined contribution plan

The company operates a number of pension schemes, the principal of which is a defined contribution pension scheme for the benefit of employees. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and actually paid are shown as either accruals or prepayments in the balance sheet. The scheme funds are administered by trustees and are independent of the company's finances. The company also has obligations to an industry wide defined benefit pension scheme (MNOPF), see note 2.16.2 for further details.

2.16.2 Defined benefit plan

The company also has obligations via its crew provider under an industry scheme. The Merchant Navy Officers Pension Fund ("MNOPF") is an industry wide defined benefit pension scheme which is a multi-employer scheme in which officers employed have participated or continue to participate. The company has sufficient information on the plan assets and liabilities to be able to reliably account for its share of the defined benefit obligation and plan assets.

Typically defined benefit plans define an amount of pension benefit that an employee will receive in retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to shareholders funds in other comprehensive income in the period in which they arise.

The amount charged or credited to finance costs is a net interest amount calculated by applying the liability discount rate to the net defined benefit liability or asset.

Past service costs are recognised immediately in the income statement.

The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds

Management estimate these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

All actuarial gains and losses as at 1 January 2014, the date of transition to FRS 101, were recognised in retained earnings. In respect of actuarial gains and losses that arise subsequent to 1 January 2014, the Company recognises them in the period they occur directly into equity through the statement of comprehensive income.

2.16.3 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably

2.17 Share based payments

The company operates an equity settled, share based compensation plan, under which the company receives services from employees as consideration for equity instruments (options) of TechnipFMC plc. The awards are granted by TechnipFMC plc and the company has no obligation to settle the awards. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense.

2 Summary of significant accounting policies (continued)

2.17 Share based payments (continued)

A credit is recognised directly in shareholders' funds. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example profitability, sales growth targets and remaining an employee of the entity over a time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save). Non market-performance and service conditions are included in assumptions about the number of options that are expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2.18 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

2.19 Dividends

Dividends payable are only recognised as a liability if declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

3 Critical accounting estimates and judgements

Preparation of the financial statements requires the use of estimates and assumptions to be made that may affect the assessment and disclosure of assets and liabilities at the date of the financial statements, as well as the income and the reported expenses regarding this financial year. Estimates may be revised if the circumstances and the assumptions on which they were based change, if new information becomes available, or as a result of greater experience. Consequently, the actual result from these operations may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below;

3.1 Revenue recognition – revenue recognised over time

Approximately 70% of our revenue is derived from long-term contracts that can span several years. We account for revenue in accordance with IFRS 15 (Revenues from Contracts with Customers). The unit of account in IFRS 15 is a performance obligation. A contract's transaction price is allocated to each distinct performance obligation and recognised as revenue when, or as, the performance obligation is satisfied. Our performance obligations are satisfied over time as work progresses or at a point in time.

The company's revenue recognised over time relates to subsea exploration and production equipment projects that involve the design, engineering, manufacturing, construction, and assembly of complex, customer-specific systems. Because of control transferring over time, revenue is recognised based on the extent of progress towards completion of the performance obligation.

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Critical accounting estimates and judgements

3.1 Revenue recognition – revenue recognised over time (continued)

Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recorded proportionally as costs are incurred.

Due to the nature of the work required to be performed on many of our performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables, and requires significant judgment. It is common for our long-term contracts to contain award fees, incentive fees, or other provisions that can either increase or decrease the transaction price. We include estimated amounts in the transaction price when we believe we have an enforceable right to the modification, the amount can be estimated reliably, and its realization is probable.

The estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved.

We execute contracts with our customers that clearly describe the equipment, systems, and/or services. After analysing the drawings and specifications of the contract requirements, our project engineers estimate total contract costs based on their experience with similar projects and then adjust these estimates for specific risks associated with each project, such as technical risks associated with a new design. Costs associated with specific risks are estimated by assessing the probability that conditions arising from these specific risks will affect our total cost to complete the project. After work on a project begins, assumptions that form the basis for our calculation of total project cost are examined on a regular basis and our estimates are updated to reflect the most current information and management's best judgment.

Adjustments to estimates of contract revenue, total contract cost, or extent of progress toward completion are often required as work progresses under the contract and as experience is gained, even though the scope of work required under the contract may not change. The nature of accounting for long-term contracts is such that refinements of the estimating process for changing conditions and new developments are continuous and characteristic of the process. Consequently, the amount of revenue recognised over time is sensitive to changes in our estimates of total contract costs.

There are many factors, including, but not limited to, the ability to properly execute the engineering and design phases consistent with our customers' expectations, the availability and costs of labour and material resources, productivity, and weather, all of which can affect the accuracy of our cost estimates, and ultimately, our future profitability.

See Note 2.11.1 for a detailed description of revenue accounting policies thereon.

3.2 Valuation of defined benefit pension plan

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions includes the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the company considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 25.

Notes to the financial statements for the year ended 31 December 2018 (continued)

4 Revenue

The geographical analysis of turnover by location of customer is as follows:

	2018 £000	2017 £000
UK	**379,693**	201,960
Europe	**308,268**	460,910
Rest of the World	**102,236**	208,749
	790,197	871,619

Analysis of revenue by category is as follows:

	2018 £000	2017 £000
Project revenue (recognised over time)	**410,929**	455,033
Revenue from vessel services (recognised at a point in time)	**379,268**	416,586
	790,197	871,619

Assets and liabilities related to contracts with customers:

The company has recognised the following assets and liabilities related to contracts with customers.

	2018 £000	1 Jan 2018* £000	2017 £000
Current contract assets - external	**40,915**	56,472	2,911
Current contract assets – amounts due from group undertakings	**108,550**	82,080	-
Loss allowance – amounts due from group undertakings	**(256)**	(1,276)	-
Contract Assets	**149,209**	137,276	2,911
Contract liabilities	**(12,851)**	(33,511)	(9,710)

* See note 28 for accounting policy change

(a) Significant changes in contract assets and liabilities

Contract assets in 2017 included only IAS 11 construction contracts. The balances at 1 January 2018 are the re-stated balances under IFRS 15 (see note 29 for description of change).

Contract assets have increased from 1 January 2018 due to increased project and vessel activity in the fourth quarter of 2018 compared to 2017.

Contract liabilities have decreased due to the stage of completion of contracts at 31 December 2018 compared to 1 January 2018 and from reduction of a significant loss provision relating to a large project.

Notes to the financial statements for the year ended 31 December 2018 (continued)

4 Revenue

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried forward contract liabilities

	2018 £000	1 Jan 2018 £000
Revenue recognised that was included in the contract liability balance at the beginning of the period	19,462	14,976

5 Operating profit

Operating profit is stated after charging/(crediting):	2018 £000	2017 £000
Depreciation	**56,761**	60,113
Other amounts written off tangible fixed assets - Impairment	**144,559**	21,800
Loss on disposal of fixed assets	**1,980**	452
Impairment gains on contract assets due from group undertakings	**(1,020)**	-
Impairment losses on amounts due from group undertakings	**2,196**	-
Inventory recognised as an expense	**25,393**	19,708
Operating lease rentals:		
Hire of plant and machinery	**74,204**	79,678
Other operating lease rentals	**5,847**	5,391

6 Auditors' remuneration

The remuneration of the auditors can be analysed as follows:	2018 £000	2017 £000
Audit of the financial statements	**318**	228
Other fees to auditors:		
Taxation compliance services	**31**	133
	349	361

7 Remuneration of directors

	2018 £000	2017 £000
Aggregate emoluments paid to directors	**833**	709
Employer contributions paid to money purchase pension schemes	**32**	55
	865	764

Notes to the financial statements for the year ended 31 December 2018 (continued)

7 Remuneration of directors (continued)

The emoluments of the highest paid director were £574,000 (2017: £669,000) and the company paid £16,000 (2017: £47,000) into their money purchase pension scheme.

Two (2017: two) of the current directors were members of the company's defined contribution pension scheme in 2018 however both directors left during the year.

The highest paid director of the company did not exercise any share options in the year nor did they have any performance shares which vested in the year. In 2017 a total of 2,400 performance shares vested at a value of 25.65 euro per share and £53,266 is included in the aggregate emoluments paid to directors for 2017.

8 Staff numbers and costs

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

	Number of Employees	
	2018	2017
Management & administration	**175**	160
Project management & operations	**552**	588
	727	748

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	**45,385**	46,031
Social security costs	**5,310**	5,504
Other pension costs	**3,788**	3,865
Share based payments (note 23)	**1,035**	974
	55,518	56,374

Vessel crews and other offshore personnel hired through labour contractors are not included in the above figures.

9 Investment income

	2018 £000	2017 £000
Dividends received from group undertakings	**3,222**	-

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Interest receivable and similar income

	2018 £000	2017 £000
Receivable from group undertakings	**984**	1,350
Other interest receivable	**-**	44
Changes in derivative fair value, net *	**5,457**	5,375
Inefficient part of derivative instruments, net	**13**	5,067
	6,454	11,836

* Includes swap points on derivative financial instruments

11 Interest payable and similar expenses

	2018 £000	2017 £000
Payable to group undertakings	**5,248**	4,552
Other interest payable	**4,311**	4,562
Net interest on defined benefit pension liability	**2**	176
Net foreign exchange losses	**10,729**	23,945
	20,290	33,235

12 Dividends paid

	2018 £000	2016 £000
Interim dividends paid of £1.62 per share (2017: £1.62)	**-**	26,000

Notes to the financial statements for the year ended 31 December 2018 (continued)

13 Income tax expense

(a) Recognised in the income statement

The tax charge is made up as follows:	2018 £000	2017 £000
Current tax:		
UK corporation tax on profits for the year	**7,108**	17,032
Adjustments in respect of prior years – Group Relief	**8,244**	1,653
Adjustments in respect of prior years – UK tax	**(15,181)**	7,293
	171	25,978
Double taxation relief	**(442)**	(871)
	(271)	25,107
Foreign Tax current year	**2,324**	13,708
Adjustments in respect of prior years – foreign tax	**2,296**	(4,696)
Total current tax charge for year	**4,349**	34,119
Deferred tax:		
Origination and reversal of temporary differences	**(23,470)**	(2,510)
Adjustment in respect of prior years	**(272)**	11,462
Total deferred tax	**(23,742)**	8,952
Tax (credit) / charge for year	**(19,393)**	43,071

b) Recognised in other comprehensive income

	2018 £000	2017 £000
Deferred tax:		
Cash flow hedging	**(1,401)**	7,549
Re-measurement of defined benefit liability	**74**	1,204
	(1,327)	8,753

(c) Factors affecting current tax (credit) / charge:

The tax assessed on the (loss) / profit for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are reconciled below:

Notes to the financial statements for the year ended 31 December 2018 (continued)

13 Income tax expense (continued)

(c) Factors affecting current tax (credit) / charge (continued):

	2018	2017
	£000	£000
(Loss) / profit before taxation	**(98,327)**	86,787
(Loss) / profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	**(18,682)**	16,707
Effect of:		
Expenses not deductible for tax purposes	**934**	393
Income not taxable	**(1,271)**	(647)
Unrelieved foreign taxes	**1,882**	10,725
Impact of deferred tax rate change	**2,657**	181
Adjustments in respect of prior years	**(4,913)**	15,712
Total tax (credit) / charge for year (note 13a)	**(19,393)**	43,071

The main rate of corporation tax was 19% for the calendar year (2017 19.25%) with deferred tax being recognised at 17% (19% for derivatives).

Legislation to reduce the main rate of corporation tax to 17% from 1 April 2020 was included in the Finance Act 2016.

(d) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2018	2017
	£000	£000
Included in debtors (note 18)	**(1,546)**	(616)
Included in provisions for liabilities (note 21)	**10,712**	34,443

Deferred tax has been recognised at the rate at which the timing differences are expected to reverse, 17% (19% for derivatives) in 2018 (2017:19%), reflecting the reduction in the UK rate of corporation tax when the timing differences will reverse.

14 Tangible assets

	Land & Buildings £000	Vessels £000	Equipment £000	Construction in progress £000	Total £000
Cost					
Balance at 1 January 2018	1,772	916,608	215,915	4,004	1,138,299
Additions	-	24,985	19,828	-	44,813
Disposals	(1,698)	(4,322)	(20,940)	-	(26,960)
Transfers between categories	27	-	3,977	(4,004)	-
Balance at 31 December 2018	101	937,271	218,780	-	1,156,152
Accumulated depreciation					
Balance at 1 January 2018	758	288,513	128,777	-	418,048
Depreciation charge for the year	81	44,377	12,303	-	56,761
Disposals	(732)	(4,430)	(16,778)	-	(21,940)
Impairment	-	137,400	7,159	-	144,559
Transfers between categories	(75)	-	75	-	-
Balance at 31 December 2018	32	465,860	131,536	-	597,428
Net book amount at 31 December 2017	1,014	628,095	87,138	4,004	720,251
Net book amount at 31 December 2018	**69**	**471,411**	**87,244**	**-**	**558,724**

Impairment indicators were identified during the year and an impairment test was performed on the vessel fleet. In estimating property, plant and equipment value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised. An impairment loss is recognised as an expense immediately in cost of sales as part of operating profit in the income statement.

In estimating vessels' recoverable amount independent valuations were obtained. Since vessels were valued using the broker valuation the valuation is considered to be level 2 in the fair value hierarchy.

The prolonged downturn in the energy market and its corresponding impact on our business outlook led us to conclude that the carrying amount of a number of our assets exceeded their recoverable amount in 2018 and 2017. Consequently, the Company recognised a total impairment charge on vessels of £137.4m and £7.2m on equipment.

Notes to the financial statements for the year ended 31 December 2018 (continued)

15 Investments

	2018 £000
At beginning of year	223
Additions	4,283
At end of year	**4,506**

Investments in subsidiary undertakings are stated at cost of £4,506,000 (2017: £223,000). During the year, the company acquired 100% of the ordinary shares in Technip FMC Guyana for a cost of £4,283,000.

The directors believe the carrying value of investments is supported by their underlying net assets.

Details of principal subsidiary undertakings are as follows:

Name	Country of registration/ incorporation	Proportion of issued ordinary share capital held %	Principal activity
Technip Ships One Limited (i)	England	99	Fully integrated subsea contractor and supplier of subsea products.
Technip Offshore Manning Services Limited (i)	England	100	Offshore Personnel Management
Technip Ships Norge A.S.(ii)	Norway	100	Vessel owning entity
Forsys Subsea Limited (i)	England	50	Front end engineering and life of field services
Technip Services Limited (i)	England	100	Non-trading
FMC Technologies Chile Limitada (iii)	Chile	100	Non-trading
Technip FMC Guyana (iv)	Guyana	100	Subsea contractor and supplier of subsea products

(i) Registered office - One St. Paul's Churchyard, London, EC4M 8AP
(ii) Registered office – Philip Pedersensvei 7, PO Box 400, Lysaker, NO-1327, Norway
(iii) Registered office - Callao 2910, Office 704 Las Condes, Santiago
(iv) Registered office – 2 Avenue of the Republic, Georgetown, Guyana

Notes to the financial statements for the year ended 31 December 2018 (continued)

16 Non-current assets held for sale

In 2017 following a strategic review, the directors agreed that the Well Servicer vessel would be sold. The asset was classified as held for sale. In accordance with IFRS 5, the vessel was transferred at fair value less costs to sell. No impairment was necessary prior to transfer. The fair value was measured with reference to the actual price obtained from sale of the vessel subsequent to the 2017 year end. The vessel was sold during the current year.

Assets classified as held for sale

	2018	2017
	£000	£000
Tangible fixed assets	-	6,843

17 Inventories

	2018	2017
	£000	£000
Materials, spares and consumables	**9,069**	7,827

18 Debtors

	2018	2017
	£000	£000
Trade debtors	**115,113**	58,891
Amounts owed by group undertakings	**232,683**	417,726
Other debtors	**19,372**	18,725
Deferred tax asset (note 21)	**1,546**	616
Contract assets	**40,915**	2,911
Contract assets owed by group undertakings	**108,294**	-
Prepayments and accrued income	**4,193**	39,615
Other financial assets (note 26)	**-**	3,493
	522,116	541,977

Trade debtors are stated after provision for impairment of £25,388,000 (2017: £24,000,000). Contract assets owed by group undertakings are stated after provision for impairment of £256,000 (1 January 2018 £1,276,000).

Notes to the financial statements for the year ended 31 December 2018 (continued)

18 Debtors (continued)

Amounts owed by group undertakings can be further analysed as follows:

	2018 £000	2017 £000
Due within one year	**232,683**	370,061
Loans repayable on demand but expected after more than one year	**-**	14,006
Current account balances expected after more than one year	**-**	33,659
	232,683	417,726

Amounts owed by group undertakings and due within one year are repayable on demand, unsecured and interest free. Amounts due within one year are stated after provision for impairment of £22,292,000 (2017: £20,664,000).

Loans repayable on demand but expected after more than one year includes a loan to Technip Coflexip UK Holding Limited (TCUKHL) for £14,006,000 (2017: £14,006,000). Interest is payable on the TCUKHL loan at a fixed rate of 6.25%. A provision for impairment of £14,006,000 (1 January 2018 £14,006,000) has been booked on adoption of IFRS 9. The TCUKHKL loan has no fixed repayment dates and is repayable on demand; but not expected to be re-paid within one year.

Current account balances expected after more than one year are contractually repayable on demand, unsecured and interest free. The balance is stated net of a provision for impairment of £34,351,000 (1 January 2018 £33,659,000).

19 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**8,692**	8,973
Amounts owed to group undertakings	**248,110**	167,891
Corporation tax	**1,743**	21,363
Other taxation and social security	**1,764**	1,296
Other creditors	**3,429**	2,192
Bank loans	**13,667**	13,381
Contract liabilities	**12,851**	9,710
Accruals and deferred income	**180,155**	242,788
Other financial liabilities (note 26)	**1,650**	5,496
	472,061	473,090

Amounts owed to group undertakings includes the current portion of a loan payable to TechnipFMC Plc. (see note 20). Other amounts owed to group undertakings are unsecured and have no fixed repayment dates.

Notes to the financial statements for the year ended 31 December 2018 (continued)

20 Creditors: amounts falling due after more than one year

Amounts falling due after more than one year	**2018**	2017
	£000	£000
Amounts owed to group undertakings	**89,600**	112,000
Other financial liabilities (note 26)	**3,369**	-
Bank loans	**52,370**	52,484
	145,339	164,484

Amounts falling due after more than five years	**2018**	2017
	£000	£000
Amounts owed to group undertakings	**22,400**	-
Bank loans	**66,398**	79,617
	88,798	79,617

In 2013 the Company entered in to a long term loan with Technip SA (following merger on 17 January 2017, became TechnipFMC Plc) to finance the purchase of the Deep Energy vessel for an amount of £220m. The loan was made available to the Company on 16 December 2013, for a duration of 5 years. The rate of interest at the date of agreement was a variable rate based on the GBP Libor rate + 0.5% per annum. In January 2014, the interest rate was fixed at 2.5% for the remaining duration of the loan. At 31 December 2018, the outstanding capital element of £112,000,000 was temporarily extended to 17 May 2019 on the same basis as the original loan and then a new loan was entered into with TechnipFMC plc on 18 May 2019 for a 5 year duration. The rate of interest will be a variable rate based on the GBP Libor rate + 0.5% per annum. The first instalment of £22,400,000 is due on 18 May 2020.

No re-measurement to amortised cost has been necessary as the rate of interest was equivalent to the market rate of interest at that time.

On 20 December 2016 Technip UK Ltd, entered into a £160m loan facility for the purpose of financing the Deep Explorer, a diving support vessel (DSV) delivered in December 2016. The loan facility consists of a 12-year fixed rate term loan, redeemable in 24 semi-annual equal-principle instalments.

The term loan was fully drawn down on 23 December 2016 and bears an annual fixed interest rate of 2.813%. The loan has been measured at amortised cost of £132,435,000 (2017: £145,482,000)

The facility agreement contains customary representations and warranties, undertakings and default provisions. The facility agreement does not contain any financial covenant. The facility agreement has been arranged in a club-deal with two commercial banks (as lenders) with one of them acting as facility agent and security agent. The securities granted to the security agent for the benefit of the lenders, consist in a first priority mortgage on the Deep Explorer, and the dive-system equipment, a parent company guarantee from Technip Offshore International and an assignment of insurance policies related to the ship.

Notes to the financial statements for the year ended 31 December 2018 (continued)

21 Provisions for liabilities

	Provisions £000	Deferred tax £000	Total £000
At 1 January 2017	61,980	37,412	99,392
Charged/(credited) to income statement	27,047	(2,969)	24,078
Released unused	(25,771)	-	(25,771)
At 31 December 2017	**63,256**	**34,443**	**97,699**
Accounting policy change – retained earnings	6,762	408	7,170
Reallocation to contract assets/liabilities (IFRS 15)	(27,395)	-	(27,395)
At 1 January 2018	**42,623**	**34,851**	**77,474**
Charged/(credited) to income statement	21,002	(23,652)	(2,650)
Released unused	(17,430)	-	(17,430)
Utilised in year	(277)	-	(277)
Credited to other comprehensive income	-	(487)	(487)
At 31 December 2018	**45,918**	**10,712**	**56,630**

Provisions

Included in provisions is £34,253,000 (2017: £59,861,000) relating to specific warranty claims arising on contracts. These provisions have a completion date ranging from January 2019 to December 2022.

Notes to the financial statements for the year ended 31 December 2018 (continued)

21 Provisions for liabilities (continued)

Deferred tax

The provision for deferred tax consists of the following deferred tax liabilities / (assets)

	2018 £000	2017 £000
Deferred tax assets due within 12 months	**(906)**	(616)
Deferred tax assets due after more than 12 months	**(640)**	-
Total deferred tax asset (note 18)	**1,546**	(616)
Deferred tax liabilities due within 12 months	**408**	487
Deferred tax liabilities due after more than 12 months	**10,304**	33,956
Total deferred tax liability	**10,712**	34,443

Deferred Tax Asset	Pensions £000	Derivatives £000	Derivatives OCI £000	Overseas Losses £000	Total £000
At 1 January 2017	(1,153)	(1,764)	(7,062)	(7,953)	(17,932)
(Credited) / charged to income statement	(51)	1,148	-	11,311	12,408
Revaluations booked to foreign exchange	-	-	-	(3,358)	(3,358)
Charged to OCI	1,204	-	7,062	-	8,266
At 31 December 2017	-	**(616)**	-	-	**(616)**
(Credited) / charged to income statement	(74)	(16)	-	-	(90)
Revaluations booked to foreign exchange	-	-	-	-	-
Charged to OCI	74	-	(914)	-	(840)
At 31 December 2018	-	**(632)**	**(914)**	-	**(1,546)**

Notes to the financial statements for the year ended 31 December 2018 (continued)

21 Provisions for liabilities (continued)

Deferred tax (continued)

Deferred Tax Liability	Other £000	Derivatives £000	Derivatives OCI £000	ACA's £000	Total £000
At 1 January 2017	-	2,413	-	34,999	37,412
Credited to income statement	-	(2,413)	-	(1,043)	(3,456)
Charged to OCI	-	-	487	-	487
At 31 December 2017	-	-	**487**	**33,956**	**34,443**
Credited to income statement	-	-	-	(23,652)	(23,652)
Accounting policy change, charged to retained earnings	408	-	-	-	408
Credited to OCI	-	-	(487)	-	(487)
At 31 December 2018	**408**	-	-	**10,304**	**10,712**

22 Called up share capital

	2018 £000	2017 £000
Allotted and fully paid		
16,002,050 (2017: 16,002,050) ordinary shares of £1 each	**16,002**	16,002

23 Share option plans

Some of the company's directors and key executive management participate in the TechnipFMC plc Incentive compensation and award plan.

The plan was adopted on 11 January 2017 and provides certain incentives and awards to officers, employees, non-employee directors and consultants of TechnipFMC plc and its subsidiaries. The Plan allows the TechnipFMC plc Board of Directors to make various types of awards to non-employee directors and the Compensation Committee (the "Committee") of the Board of Directors to make various types of awards to other eligible individuals. Awards may include share options, share appreciation rights, performance share units, restricted share units, restricted shares or other awards authorized under the Plan. All awards are subject to the Plan's provisions, including all share-based grants previously issued by FMC Technologies and Technip SA prior to consummation of the Merger. Under the Plan, 24.1 million ordinary shares were authorized for awards. The exercise price for options is determined by the Committee but cannot be less than the fair market value of our ordinary shares at the grant date. Restricted share unit grants generally vest after 3 or 4 years of service. Under the Plan, the Group Board of Directors has the authority to grant non-employee directors share options, restricted shares, restricted share units and performance shares.

Notes to the financial statements for the year ended 31 December 2018 (continued)

23 Share option plans (continued)

Unless otherwise determined by the Group Board of Directors, awards to non-employee directors generally vest on the date of the annual stockholder meeting following the date of grant. Restricted share units are settled when a director ceases services to the Board of Directors.

The company recognises a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution.

The expense recognised for share based payments in respect of employee services during the year to 31 December 2018 was £1,035,000 (includes £92,000 prior year foreign exchange movement) (2017: £1,361,000 (includes £387,000 prior year foreign exchange movement)) and the company was recharged £nil by TechnipFMC plc. (2017: £nil).

Performance shares: The Board of Directors has granted certain employees, senior executives and Directors or Officers free shares subject to achieving satisfactory performances. For performance shares issued prior to December 31, 2016, performance is based on results in terms of total shareholder return, health/safety/environment and operating income from recurring activities. For performance shares issued on or after January 1, 2017, performance is based on results of return on investment or shareholder value. A summary of performance shares as at 31 December 2018 and changes during the year is presented below:

	Number of shares
Non-vested at 31 December 2017	97,361
Granted	8,344
Exercised	(7,400)
Non-vested at 31 December 2018	98,305

The vesting period for performance shares is 4 years. There is no exercise price for performance shares.

Restricted share units: A summary of the non-vested restricted share units to employees as at 31 December 2018 and changes during the year is presented below:

	Number of shares
Non-vested at 31 December 2017	40,698
Granted	35,591
Forfeited	(1,946)
Non-vested at 31 December 2018	74,343

Restricted share unit grants generally vest after 3 or 4 years of service and are settled when a director ceases services to the Board of Directors. There is no exercise price for restricted shares.

Share Option Awards: The fair value of each option award is estimated as of the date of grant using the Black-Scholes options pricing model to measure the fair value of share options granted on or after January 1, 2017. We used the Cox Ross Rubinstein binomial model to measure the fair value of share options granted prior to December 31, 2016. Expected volatility is based on normalised historical volatility of our shares over a preceding period commensurate with the expected term of the option. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected dividend yield was 2.00%.

Notes to the financial statements for the year ended 31 December 2018 (continued)

23 Share option plans (continued)

Share options awarded prior to 2017 were granted subject to performance criteria based upon certain targets, such as total shareholder return, return on capital employed, and operating income from recurring activities. Subsequent share options granted are time based awards vesting over a 3 or 4 year period.

A summary of share options outstanding as at 31 December 2018 and changes during the year is presented below:

	Number of shares	Weighted average cost
Non-vested at 31 December 2017	129,810	30.00
Granted	2,741	26.82
Forfeited	(34,200)	36.20
Non-vested at 31 December 2018	98,351	17.85
Exercisable at 31 December 2018	25,600	10.41

The following summarizes additional information concerning outstanding and exercisable options at 31 December 2018:

Exercise price range	Number of options	Weighted average remaining life	Weighted average exercise price
20 - 30	72,751	0.92	17.85
30 - 40	13,800	0	5.26
40 - 45	11,800	0	5.14
	98,351	0.92	28.25

24 Commitments and contingencies

(i) Contingent Liabilities

At 31 December 2018, the company had contingent liabilities amounting to £70,418,000 (2017: £74,053,000) in respect of performance bonds and other guarantees given in the normal course of business.

(ii) Operating lease commitments:

At 31 December 2018, the company had the following future minimum lease commitments under non-cancellable operating leases for each of the following periods:

	2018			2017		
	Land and buildings £000	**Vessel £000**	**Other £000**	Land and buildings £000	Vessel	Other £000
Operating leases which expire:						
Within one year	**175**		**58**	503	24,633	32
Within one to two years	**225**	**69,971**	**138**	-	-	-
Within two to five years	**13,206**	**64,581**	-	4,580	166,195	42
After five years	**28,520**	-		41,203	-	-
	42,126	**134,552**	**196**	46,286	190,828	74

Notes to the financial statements for the year ended 31 December 2018 (continued)

24 Commitments and contingencies (continued)

(iii) Capital commitments

At 31 December 2018 the company had contracts for future capital expenditure of £nil (2017: £nil).

25 Pensions and similar obligations

Defined Contribution Scheme

The company operates a number of pension schemes of which the principal scheme for current employees is a defined contribution pension scheme. The scheme funds are administered by trustees and are independent of the company's finances. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £3,788,000 (2017: £3,865,000). The pension contributions outstanding at the balance sheet date are £510,000 (2017: £508,000).

Industry Scheme

The company has obligations via its crew provider under an industry scheme. The Merchant Navy Officers Pension Fund ("MNOPF") is an industry wide defined benefit pension scheme which is a multi-employer scheme in which officers employed have participated or continue to participate.

The scheme is divided into two sections, the Old section and the New section (post 1978) both of which are closed to new members. Full actuarial valuations are carried out triennially with the last valuation performed on 31 March 2015. The next actuarial valuation will take place on 31 March 2018, with the results due to be published by Q1 2019.

The trustees of the MNOPF have been taking action to recover the deficit amounts from participating employers and the latest actuarial valuation shows the funding level has increased to 90% from 82% at the previous valuation.

Participating employers share a joint responsibility to fund pension benefits for all members. The outcome of this arrangement is that deficit contributions that remain uncollected can be redistributed amongst remaining participating employers. As a consequence, the Technip UK Limited share of the deficit may be subject to revision in the future even if Technip UK Limited fulfils its obligations.

The value of the plan's assets in the scheme exceeds the value of the obligation as at 31 December 2018 resulting in a theoretical surplus. This surplus has been assumed to be irrecoverable on the basis of information provided by the MNOPF's trustees.

At the end of 2015 the only remaining company member left the scheme and therefore no contributions were paid to the scheme during this financial year (2017: £nil). When the last member left the scheme, a Section 75 debt was triggered and the company paid a cash contribution of £593,000 in 2016.

The risks of the scheme are as follows:

(a) Asset volatility

The Trustee considers this risk when determining the plan's investment strategy. It consults with the Employers in order to understand the Employers' appetite for bearing the risk and takes advice on the Employers' ability to make good any shortfall that may arise. To the extent that such falls in asset values result in deficits at future valuations, the Employers would be required to meet a recovery plan set by the Trustee to restore full funding over a period of time.

(b) Investment returns

The Trustee takes this risk into account when determining the plan's technical provisions, by incorporating a level of prudence into the investment return assumptions. The plan currently hedges part of its exposure to changes in interest rates.

Notes to the financial statements for the year ended 31 December 2018 (continued)

25 Pensions and similar obligations *(continued)*

(c) Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increase in life expectancy will result in an increase in the plan's liabilities. The plan currently hedges part of it exposure to longevity risk and the Trustee has adopted mortality assumptions that it regards as a prudent estimate of the life expectancy of members.

(d) Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The Trustee invests in assets that are expected to be correlated to future inflation in the longer term (sometimes referred to as "real assets"). This means that over the longer term, such assets are expected to keep pace with inflation. Such assets include equities, property and index-linked bonds

Reconciliation of scheme assets and liabilities:

	Assets	Liabilities	Total
	£000	£000	£000
At 1 January 2018	**65,911**	**(65,911)**	**-**
Past service cost – plan amendments	-	(306)	**(306)**
Interest income / (expense)	1,761	(1,675)	**86**
Administration costs and taxes		(130)	**(130)**
Re-measurement gains	790	2,734	**3,524**
Disbursements	(3,916)	3,916	**-**
Change in irrecoverable Surplus	(3,087)	-	**(3,087)**
Interest cost on irrecoverable surplus	(87)	-	**(87)**
At 31 December 2018	**61,372**	**(61,372)**	**-**

Actuarial assumptions:

	2018	2017
Discount rate	**2.90%**	2.60%
Salary growth rate	**n/a**	n/a
Price inflation	**3.10%**	3.20%
Pension growth rate (in-payment)	**2.90%**	2.96%
Pension growth rate (in deferment)	**2.10%**	2.20%

Notes to the financial statements for the year ended 31 December 2018 (continued)

25 Pensions and similar obligations *(continued)*

The sensitivity of the defined benefit obligation to a 1% change in the weighted principal assumptions is as follows:

	2018 %	2017 %
Discount rate	**13.8**	14.10
Salary growth rate (see note 1 below)	**n/a**	n/a
Price inflation	**3.7%**	3.60
Pension growth rate (in-payment)	**3.9%**	1.90
Pension growth rate (in deferment)	**0.9%**	1.70

Note 1 - No active members in 2015, 2016, 2017 or 2018 and only one active member in 2014

The above sensitivity analyses are based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in the UK. The assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

Reconciliation of scheme assets and liabilities:

	2018 Years	2017 Years
Longevity at age 61 for current pensioners		
- Men	**27**	26.8
- Women	**30.8**	30.6
Longevity at age 61 for future pensioners		
- Men	**29.3**	29.1
- Women	**33**	32.8

Total cost recognised as an expense:

	2018 £000	2017 £000
Past service cost – plan amendments	**(306)**	-
Administration costs and taxes	**(130)**	(126)
Interest income	**86**	(176)
Interest cost on irrecoverable surplus	**(87)**	-
Cost recognised in P&L	**(437)**	(302)

Notes to the financial statements for the year ended 31 December 2018 (continued)

25 Pensions and similar obligations *(continued)*

The fair value of the plan assets was:

	2018 £000	2017 £000
Equity instruments	**7,614**	8,484
Bonds	**29,931**	47,147
Derivatives	**-**	2,335
Cash and cash equivalents	**30,052**	(5,239)
Other quoted securities	**-**	15,490
Real Estate	**316**	1,061
Irrecoverable surplus	**(6,541)**	(3,367)
	61,372	65,911

The return on the plan assets was:

	2018 £000	2017 £000
Interest income	**1,761**	1,614
Re-measurements	**790**	5,674
Total return on plan assets	**2,551**	7,288

26 Derivative financial instruments

The company use a range of forward contracts to reduce exposure to foreign exchange risk. The company has taken advantage of the exemptions contained within FRS 101 not to provide the disclosures required by IFRS 7 and IFRS 13 regarding financial instruments.

The forward currency contracts are measured at fair value through profit or loss unless cash flow hedge accounting has been applied. Where cash flow hedging has been applied, the gain or loss will either be recognised in profit or loss or other comprehensive income depending on whether the gain or loss is effective or ineffective. Any ineffective portion is recognised immediately in profit or loss.

The fair value is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP: USD, GBP: EUR, GBP: NOK.

The timing of future transactions can be subject to change and existing deals will be rolled over to the new expected transaction date. The rollover gain or loss is deferred to other comprehensive income where the deal remains effective.

26 Derivative financial instruments (continued)

The maturity of the financial assets and liabilities is as follows:

Financial liabilities

	2018 £000	2017 £000
Amounts falling due within one year		
Forward foreign exchange contracts – cash flow hedges	**1,650**	5,496
Amounts falling due out with one year		
Forward foreign exchange contracts – cash flow hedges	**3,369**	-

Financial assets

	2018 £000	2017 £000
Amounts falling due out with one year		
Forward foreign exchange contracts – cash flow hedges	-	3,493

Reconciliation of movements in financial instruments:

	Cash flow hedging reserve £000	Derivative financial liabilities £000
At 1 January 2018	**2,080**	**2,003**
Total gains or losses		
- In profit or loss (finance costs (income))	-	(5,470)
- In other comprehensive income	(8,486)	8,486
- In other comprehensive income (deferred tax)	1,612	-
- In other comprehensive income	1,107	-
- In other comprehensive income (deferred tax)	(211)	-
At 31 December 2018	**(3,898)**	**5,019**

27 Ultimate parent undertaking

During the year, the company's immediate parent undertaking was Technip-Coflexip UK Holdings Limited, a company registered in the United Kingdom. On 30 November 2017, Technip-Coflexip UK Holdings Limited sold its shares in the Company to TechnipFMC International Holdings BV, a company registered in the Netherlands. At the balance sheet date, TechnipFMC International Holdings BV is now the company's immediate parent undertaking.

The ultimate parent undertaking and controlling entity is TechnipFMC plc, a company incorporated in the United Kingdom. The consolidated financial statements of TechnipFMC plc are available for inspection at www.morningstar.co.uk/uk/NSM, and can also be found on the TechnipFMC website (investors.technipfmc.com).

Notes to the financial statements for the year ended 31 December 2018 (continued)

28 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the company's financial statements.

(a) Impact on the financial statements

On 1 January 2018, we adopted IFRS 15 using the modified retrospective method applied to those contracts that were not completed as of 1 January 2018 resulting in a £1.8m increase to opening retained earnings. Results for reporting periods beginning after 1 January 2018 are presented under IFRS 15, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under IAS 11 and IAS 18. The company elected to apply the contract modifications practical expedient and presented as of 1 January 2018 the aggregate effect of all of the modifications that occurred prior to the adoption date.

On 1 January 2018, IFRS 9 was also adopted using the modified retrospective method without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated balance sheet as at 31 December 2017 but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below

Statement of financial position (extract)	**31 Dec 2017 as originally presented £000**	**IFRS 15 £000**	**IFRS 9 £000**	**1 January 2018 Restated £000**
Current assets				
Inventories	7,827	-	-	7,827
Debtors	541,977	(9,108)	(49,165)	483,704
Cash	811	-	-	811
Creditors – amounts falling due within one year	(473,090)	(9,379)	-	(482,469)
Net current assets	**77,525**	**(18,487)**	**(49,165)**	**9,873**
Total assets less current liabilities	**804,842**	**(18,487)**	**(49,165)**	**737,190**
Creditors: amounts falling due after more than one year	(244,101)	-	-	(244,101)
Provisions for liabilities	(97,699)	20,225	-	(77.474)
Net assets	**463,042**	**1,738**	**(49,165)**	**415,615**
Equity				
Called up share capital	16,002	-	-	16,002
Share premium account	15,972	-	-	15,972
Other reserves	6,063	-	-	6,063
Retained earnings	425,005	1,738	(49,165)	377,578
Total shareholders' funds	**463,042**	**1,738**	**(49,615)**	**415,615**

Notes to the financial statements for the year ended 31 December 2018 (continued)

28 Changes in accounting policies (continued)

(b) IFRS 15 Revenue from contracts with customers

The company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the company adopted the new rules using the modified retrospective approach and has not restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018).

The new standard requires an entity to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The impact to revenues for the year ended December 31, 2018 was an increase of £8.9 million as a result of applying IFRS 15. A difference between revenue recognised under IFRS 15 as compared to IAS 11 and IAS 18 exists for all contracts in which physical progress was used as the measure of progress for which the cost to cost method best depicts the transfer of control to the customer. There was also an impact to loss provisions charged to cost of sales of £6.8m and an overall impact to retained earnings after tax of £1.7m.

Statement of financial position (extract)	31 Dec 2017 as originally presented* £000	Reclassification £000	Re-measurement £000	1 January 2018 Restated £000
Current assets				
Trade debtors	58,891	(30,397)	-	28,494
Contract assets (external)	2,911	53,561	-	56,472
Contract assets – amounts due from group undertakings	-	82,080	-	82,080
Amounts due from group undertakings	417,726	(82,080)	-	335,646
Prepayments and accrued income	39,615	(32,272)	-	7,343
Trade creditors	(8,691)	-	-	(8,691)
Accruals and deferred income	(242,788)	14,424	-	(228,364)
Contract liabilities	(9,710)	(32,711)	8,908	(33,513)
Deferred tax	(34,443)	-	(408)	(34,851)
Provisions	(63,256)	27,395	(6,762)	(42,623)
Retained earnings impact		-	**1,738**	

* The amounts in this column are before the adjustments from the adoption of IFRS 9, including increases in the impairment loss allowance for trade receivables and contract assets, see note 29 (c) below

A difference exists in the presentation of trade receivables, contract assets and contract liabilities. Upon adoption of IFRS 15, we recognise trade receivables when we have the unconditional right to payment. Previously, we reported certain billed amounts on a net basis within contract assets and contract liabilities when the legal right of offset was present within the contract. IAS 18 contract balances were previously reported within accrued and deferred income and only IAS 11 contract balances were reported as contract assets and liabilities.

Notes to the financial statements for the year ended 31 December 2018 (continued)

28 Changes in accounting policies (continued)

(c) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 2.13 above. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated. The total impact on the company's retained earnings as at 1 January 2018 and 1 January 2017 is as follows:

	2018	2017
	£000	£000
Closing retained earnings 31 December – IAS 39/IAS 11/18	**425,005**	425,005
Increase in provision for trade amounts due from group undertakings	**(33,883)**	-
Increase in provision for contract assets due from group undertakings	**(1,276)**	-
Increase in provision for loans due from group undertakings	**(14,006)**	-
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	**(49,165)**	-
Opening retained earnings 1 January – IFRS 9	**375,840**	425,005

There were no adjustments made to line items in the statement of profit or loss and the statement of other comprehensive income for the 2017 reporting period relating to IFRS 9 adjustments.

(i) Impairment of financial assets

The company has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables (external and internal amounts due from group undertakings) from the provision of fully integrated subsea contractor services and supply of subsea products
- contract assets relating to unbilled revenue in respect of the above
- loans receivable from external and group undertakings

The company was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the company's retained earnings and equity is disclosed in the table above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(ii) Trade receivables, contract assets and loans receivable

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. This resulted in an increase of the loss allowance on 1 January 2018 by £49,165,000. Note 5 provides details about the calculation of the allowance. The loss allowance increased by a further £1,176,000 during the current reporting period.