TechnipFMC Umbilicals Ltd
Annual report and financial statements for the year ended 31 December 2018

Registered Number: 2400155

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Contents

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TechnipFMC Umbilicals Ltd

Strategic Report for the year ended 31 December 2018

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

Principal activities

The principal activity of the company is the manufacture and sale of hydraulic and electro-hydraulic control and chemical injection umbilicals for use in the subsea offshore oil and gas industry.

Business Model

TechnipFMC plc, of which TechnipFMC Umbilicals Ltd is a subsidiary, is a leading manufacturer of umbilicals (steel and thermoplastic), providing connections between subsea equipment and platforms or floating production systems enabling control from the surface. The TechnipFMC Umbilicals group of companies, operates four manufacturing sites in Newcastle (UK), Houston (US), Lobito (Angola) and Tangjung Langsat (Malaysia).

TechnipFMC Umbilicals Ltd is the main centre of expertise for marketing, research and development, engineering, project management and manufacturing of umbilical systems in the TechnipFMC plc group and works closely with the three other group facilities to deliver customised umbilical products to the global offshore oil and gas market.

The company provides a complete service from project inception to project completion.

TechnipFMC Umbilicals aims to strengthen its worldwide leadership in the umbilical market. Its strategy relies on the following priorities:

- Focusing on new emerging areas;
- Building a diversified and reliable supply chain;
- Further improving project execution & engineering capabilities;
- Further improving manufacturing processes; and
- Developing the technologies and know-how required to serve subsea projects in increasingly deep waters and harsh environment.

Business Review and Key Performance Indicators

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

Financial	2018	2017
	£'000	£'000
Turnover	136,519	127,147
EBITDA	42,782	17,501
Profit for the Financial Year	23,827	5,623

Business Review and Key Performance Indicators (continued)

Reconciliation of operating profit to EBITDA

	2018	2017
	£'000	£'000
Operating Profit	37,680	10,261
Depreciation	5,102	5,387
Impairment	-	1,853
EBITDA	42,782	17,501

Order intake has increased by 35% from 2017 reflecting the continued recovery in the Oil and Gas market.

Turnover in 2018 has increased by 7% over 2017 due to a higher level of manufacturing activity.

In 2018 EBITDA increased from 2017 due to a strong performance in execution compensating margin pressure on new orders and the successful close out of completed projects.

Principal risks and uncertainties

Risks relating to the market
Regardless of the oil price level, clients continue to emphasise their need to reduce costs throughout the supply chain and to improve the viability of their existing projects and future developments. More than ever, clients will need close relationships and early interaction with suppliers able to offer optimisation of design, cost reduction and competitive new technologies.

Risks relating to operations
Each umbilical is unique and can therefore present new challenges in terms of cost, engineering and manufacturing. Umbilical projects are increasing in size, complexity and duration thus increasing this risk. Contracts include terms which provide clients with compensation for non-performance.

Certain materials, components and services used in umbilical manufacture are only available from a small number of suppliers. Price and availability are risks and to develop alternative suppliers may require additional qualification costs. Any delay on the part of suppliers in the completion of their portion of the project, any failure on the part of a supplier to meet its obligations, or any other event attributable to a supplier that is beyond the company's control, or not foreseeable by the company could lead to delays in the overall progress of the project and/or generate potentially significant extra costs.

Business Review and Key Performance Indicators (continued)

The company could be required to compensate customers for such delays. Even where these extra costs are borne by the defaulting suppliers, the company could be unable to recover the entirety of these costs and this could impact its financial results or its outlooks.

Quality, Health & Safety and Environmental and Security (QHSES)

TechnipFMC is committed to its goal to be a reference company in QHSE. We strive to continually improve our performance in this area, with strong focus on our safety performance. Our Pulse HSE climate change programme continues at a great pace, working with our clients in project-specific Pulse programmes. In the area of safety TechnipFMC Umbilicals Ltd has deployed and actively promotes 12 mandatory Safety Actions for our whole group to improve our safety performance even further.

The group's IQ programme outlines our commitment to quality as a strategic goal. TechnipFMC Umbilicals Ltd is participating actively in this programme and it represents our next journey in performance improvement. The company has continued reviewing and improving its management systems and assurance processes. We have certified quality, environment and health management elements to the International Standards ISO 9001:2008, ISO 14001:2004 & ISO 18001:2007.

Research and development

Umbilical design is a highly specialised activity and conditions of service are becoming more onerous. The company's research and development effort is focussed on knowledge of individual components and their materials, how they interact when brought together in one composite umbilical structure and their suitability for intended service. This work is funded directly by another Group company.

Future Developments

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.

For the Umbilical product line, the opportunity to offer the client a product optimised with the control system as well as the installation methodology is a significant benefit, removing costs as well as considerable interface and schedule risks. In 2019, we expect to see steady growth in subsea market activity.

Strategic Report for the year ended 31 December 2018 (continued)

Future Developments (continued)

TechnipFMC Umbilicals Ltd focus actively in people and will continue to invest in training and new talent to improve skills and prepare for future challenges.

Protecting our people and keeping our assets busy is our key focus.

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

TechnipFMC Umbilicals Ltd 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.

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.

Approved on behalf of the board

H. Urquhart

H Urquhart
Director
27th September 2019

TechnipFMC Umbilicals Ltd

Directors' Report for the year ended 31 December 2018

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

General information and future developments have been disclosed in the Strategic Report.

Dividends

The directors do not propose the payment of a dividend (2017: £nil).

Going Concern.

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support of the ultimate parent company, TechnipFMC Plc. The directors have received confirmation that TechnipFMC plc intend to support the company for at least one year after these financial statements are signed

Employees

Direct personal communication with employees is an integral part of the company's personnel philosophy. This is achieved by means of regular in-house publications and consultation with employees on other matters of concern to them. 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. 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.

TechnipFMC Umbilicals Ltd

Directors' Report for the year ended 31 December 2018 (continued)

Treasury Policies (continued)

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 Statement of Financial Position date.

Interest rate risk
The company invests any material surplus funds with group undertakings and borrows funds to support its activities from the same. Interest is received or charged at market rates and although there is interest rate exposure although this is not material.

Credit risk
The risk of a financial loss could arise due to a counter-party's failure to honour its contracted obligations. Company policies are aimed at minimising such losses and require that customers who 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.

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 raw materials and components by entering into fixed price contracts where it is appropriate.

Directors
The directors who served during the year and up to the date of signing the financial statements were:

K Boe	
S Cridland	
L Dupagne	(resigned 31st December 2018)
T Bille	
H Urquhart	(appointed 31st December 2018)

TechnipFMC Umbilicals Ltd

Directors' Report for the year ended 31 December 2018 (continued)

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 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.

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.

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

H. Urquhart

H Urquhart
Director
27th September 2019

Independent auditors' report to the members of TechnipFMC Umbilicals Limited

Report on the audit of the financial statements

Opinion

In our opinion, TechnipFMC Umbilicals 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 profit 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 and 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 7, 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
30 September 2019

TechnipFMC Umbilicals Ltd

Income statement for the year ended 31 December 2018

	Note	2018	2017
		£'000	£'000
Turnover	4	**136,519**	127,147
Cost of sales		**(90,675)**	(108,724)
Gross profit		**45,844**	18,423
Administrative expenses		**(8,429)**	(8,356)
Other operating income	5	**265**	194
Operating profit/(loss)	6	**37,680**	10,261
Interest receivable and similar income	7	**516**	114
Interest payable and similar charges	8	**(6,624)**	(2,588)
Profit before taxation		**31,572**	7,787
Tax on profit	11	**(7,745)**	(2,164)
Profit/(Loss) for the financial year		**23,827**	5,623

All amounts derive entirely from continuing operations.

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Profit / (Loss) for the financial year		**23,827**	5,623
Other comprehensive income / (expense): Items that will not be reclassified to profit or loss			
Actuarial (loss) / gain on pension scheme	22	**(179)**	5,390
Deferred taxation on actuarial (loss) / gain relating to pension scheme		**30**	(924)
Other comprehensive income / (expense): Items that may be subsequently reclassified to profit or loss			
Cash Flow hedges		**954**	5,863
Deferred taxation on cash flow hedges		**(181)**	(1,032)
Other comprehensive income / (expense) for the year		**624**	9,297
Total comprehensive income / (expense) for the year		**24,451**	14,920

TechnipFMC Umbilicals Ltd

Statement of financial position as at 31 December 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Tangible assets	12	**61,638**	64,447
Investments in associated undertakings	13	**4**	-
Current assets			
Inventories	14	**69,314**	31,559
Debtors	15	**60,543**	175,886
		129,857	207,445
Creditors: amounts falling due within one year	16	**(195,775)**	(227,053)
Net current liabilities		**(65,918)**	(19,608)
Total assets less current liabilities		**(4,276)**	44,839
Creditors: amounts falling due after more than one year	17	**(750)**	(15,750)
Provisions for liabilities	18	**(2,600)**	(2,314)
Net (liabilities) / assets including pension liability		**(7,626)**	26,775
Capital and reserves			
Called up share capital	19	**5,000**	5,000
Share premium account		**3,664**	3,664
Profit and loss account		**(16,290)**	18,111
Total shareholders' funds		**(7,626)**	26,775

The financial statements on pages 11 to 50 were approved by the board of directors on 27th September 2019 and signed on its behalf by:

H. Urquhart

H Urquhart
Director

TechnipFMC Umbilicals Ltd

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance as at 1 January 2017	**5,000**	**3,664**	**3,191**	**11,855**
Profit for the financial year	-	-	5,623	5,623
Other comprehensive (expense) / income for the year:				
Actuarial gain on pension scheme	-	-	5,390	5,390
Movement on deferred tax relating to pension scheme	-	-	(924)	(924)
Cash flow hedges	-	-	5,863	5,863
Movement on deferred tax relating to cash flow hedges	-	-	(1,032)	(1,032)
Total comprehensive income for the year	-	-	14,920	14,920
Balance as at 31 December 2017	**5,000**	**3,664**	**18,111**	**26,775**
Change in accounting policy (note 23)	-	-	(58,852)	(58,852)
Balance as at 1 January 2018	5,000	3,664	18,111	26,775
Profit for the financial year	-	-	23,827	23,827
Other comprehensive income/ (expense) for the year:				
Actuarial loss on pension scheme	-	-	(179)	(179)
Movement on deferred tax relating to pension scheme	-	-	30	30
Cash flow hedges	-	-	954	954
Movement on deferred tax relating to cash flow hedges	-	-	(181)	(181)
Total comprehensive income for the year	-	-	24,451	24,451
Balance as at 31 December 2018	**5,000**	**3,664**	**(16,290)**	**(7,626)**

TechnipFMC Umbilicals Ltd

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

1. Nature of operations

TechnipFMC Umbilicals Ltd. (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 manufacturer of hydraulic and electro-hydraulic control and chemical injection umbilicals for use in the sub-sea offshore oil and gas industry

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 the Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention as modified by revaluation of certain assets and liabilities 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 the otherwise apply the recognition, measurement and disclosure requirements of EU adopted International Financial Reporting Standards (IFRS). Note 22 gives details of the company's ultimate parent and from where consolidated financial statements prepared in accordance with IFRS may be obtained.

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;
- disclosure of key management personnel compensation, and for related party transactions entered into between two or more members of a group (for wholly owned subsidiaries);
- the effects of new but not yet effective IFRS's; and

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:

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

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)

On adoption the company notified its shareholders in writing, and they do not object to, the use of the disclosure exemptions used by the Company in these financial statements.

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.

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 23. 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

The financial statements have been prepared on a going concern basis. The Directors have confirmed that it remains the intention of the ultimate parent company to continue to support the company for at least twelve months from the date of signing the financial statements.

In addition, the Directors have reviewed the most recent forecasts for the next 24 months, including a review of the company's strong backlog of signed contracts. From this review, and the support provided by the ultimate parent company, the Directors are confident that the company has sufficient resources to meet all of its liabilities as they fall due. For these reasons the Directors consider it appropriate to prepare the company's financial statements on a going concern basis.

2.3 Investments

Investments are shown at cost less any impairments.

2. Summary of significant accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. 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 is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over the term of its expected useful life as follows:

Long leasehold land and buildings	-	10-50 years
Plant and machinery	-	5-20 years
Fixtures, fittings and IT equipment	-	3-10 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. Assets under construction are not depreciated.

2.5 Foreign currencies

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

2.6 Inventories

Stocks are stated at the lower of cost and net realisable value using a weighted average method. Where relevant, cost includes an appropriate share of attributable overheads and where necessary, provision is made for obsolete, slow moving and defective stocks.

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 (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2. Summary of significant accounting policies (continued)

2.8 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.

2.8.1 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 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.

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. Summary of significant accounting policies (continued)

2.8.2 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.

2. Summary of significant accounting policies (continued)

2.8.2 Derivative financial instruments and hedging (continued)

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.

2.9 Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognised over time.

Allocation of transaction price to performance obligations - A contract's' transaction price is allocated to a single performance obligation and recognised as revenues, that 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.

Variable consideration - 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 primarily arises due to liquidated damages.

2. Summary of significant accounting policies (continued)

2.9 Revenue Recognition (continued)

Payment terms – milestone payments and progress billings are generally issued upon completion of certain phases of the work as stipulated in the contract. Amounts billed and due from our customers are classified as receivables on the statement of financial position. Due to the timescales involved in the manufacture of an umbilical the receipt of consideration does not match the timing of the transfer of goods or services to the customer.

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 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 since each umbilical is unique without an alternative use. Revenue from products and services transferred to customers over time accounted for 100% 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 contracts in progress are charged to earnings, in total, in the period the losses are identified. Previously, contracts were accounted for under IAS 18 Revenue. Accordingly, revenue and margin on ongoing contracts was measured using a % completion basis calculated using actual labour and machine costs incurred divided by the forecasted labour and machine cost. 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.

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

2. Summary of significant accounting policies (continued)

2.10 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.

2.11 Impairment (excluding stocks and deferred tax assets)

2.11.1 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. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2.11.2 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.

2. Summary of significant accounting policies (continued)

2.12 Current and deferred taxation

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

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

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 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.

2. Summary of significant accounting policies (continued)

2.13 Employee benefits

Defined benefit plan

The company operates a defined benefit pension scheme with assets held in a separate trustee administered fund. The scheme was closed to new members on 25 November 1995 and to future accrual on 5 April 2010.

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 statement of financial position in respect of the defined benefit pension plan 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 by an independent actuary. 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 shareholder's fund in the statement of 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 are recognised in the period they occur directly into equity through the statement of comprehensive income.

Defined contribution plan

The company also contributes to grouped personal pensions of employees who elect to join the scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

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

2. Summary of significant accounting policies (continued)

2.13 Employee benefits (continued)

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

2.14 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 (stock options and free shares) 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. 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). Nonmarket 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 in the statement of financial position.

2. Summary of significant accounting policies (continued)

2.15 Regional Growth Fund Grant

Regional Growth Fund Grants conditional upon maintaining employment levels over a monitoring period are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.16 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.

3.1 Revenue recognition – revenue recognise over time

Approximately 100% 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. We allocate a contract's transaction price to a single performance obligation, since each umbilical is unique and does not have an alternative use, and recognised as revenue 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 and manufacturing of complex, customer-specific systems.

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 profits, are recorded proportionally as costs are incurred.

Due to the nature of the work the estimation of total cost at completion is complex, subject to many variables, and requires significant judgment.

3. Critical accounting estimates and judgements (continued)

3.1 Revenue recognition – revenue recognise over time (continued)

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 umbilicals systems to be manufactured and/or services. After analysing the drawings and specifications of the contract requirements, our tendering engineers estimate total contract costs based using our cost models and 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, and productivity, all of which can affect the accuracy of our cost estimates, and ultimately, our future profitability.

See Note 2.9 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.

3. Critical accounting estimates and judgements (continued)

3.2 *Valuation of defined benefit pension plan (continued)*

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 19.

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

4. Turnover

Turnover is attributable to the one activity of the company, the manufacture and sale of hydraulic and electro-hydraulic control and chemical injection umbilicals.

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

	2018	2017
	£'000	£'000
Europe	44,212	35,195
Rest of world	92,307	91,952
	136,519	127,147

Assets and liabilities related to contracts with customers:

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

	2018	2017
	£'000	£'000
Contract assets - external	15,299	21,173
Contract assets - amounts due from group undertakings	2,305	11,145
	17,604	32,318
Contract liabilities - external	(31,063)	(45,770)
Contract liabilities - amounts due to group undertakings	(44,373)	(10,445)
	(75,436)	(56,215)

Fluctuations in contract assets and liabilities reflect both the underlying activity level and the stage of manufacturing progress.

5. Other operating income

	2018 £'000	2017 £'000
Research & Development expenditure credit	**265**	194
	265	194

6. Operating profit / (loss)

	2018 £'000	2017 £'000
This is stated after charging (crediting):		
Depreciation of tangible fixed assets	**5,102**	5,387
Auditors' remuneration		
- audit of the financial statements	**30**	26
Staff costs (see note 6)	**20,733**	19,708
Foreign exchange loss	**656**	968
Impairment of fixed assets	**-**	1,853
Inventory recognised as an expense	**48,860**	33,844
Operating lease rentals- Plant and machinery	**1,312**	622
- Other	**1,223**	1,580

7. Interest receivable and similar income

	2018 £'000	2017 £'000
Interest receivable from group undertakings	**511**	114
Net interest income on pension scheme	**5**	-
	516	114

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

8. Interest payable and similar charges

	2018 £'000	2017 £'000
Net interest cost on pension scheme	-	152
Interest payable to group undertakings	2,243	1,595
Interest payable on bank overdrafts and similar charges	60	54
Losses on derivative financial instruments	4,321	787
	6,624	2,588

9. Staff costs

	2018 £'000	2017 £'000
Wages and salaries	16,960	16,535
Social security costs	2,176	1,836
Other pension costs (note 19	1,597	1,337
	20,733	19,708

Included in wages and salaries is a total credit arising from share-based payments of £3,000 (2017: expense £45,000).

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

By activity	2018 Number	2017 Number
Operations	322	346
Administration	34	32
	356	378

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

10. Directors' emoluments

	2018 £'000	2017 £'000
Aggregate emoluments	**344**	287
Employer contributions paid to money purchase pension schemes	**28**	30
	372	317

Only one (2017: one) director is remunerated by the company. None of the remaining directors received remuneration from the company or in respect of services to the company during the current period or prior year.

One director is a member of the company's defined contribution pension scheme. The company contributed to the money purchase pension scheme of one director (2017: one). The highest paid director did not exercise any share options in the year but had performance shares which vested in the year. No performance shares or stock options vested in 2018. In total 400 performance shares vested at a value of 25.65 Euro per share and £8,877 is included in the aggregate emoluments paid to directors for 2017.

	2018 £'000	2017 £'000
In respect of the highest paid director:		
Aggregate emoluments	**344**	287
Employer contributions paid to money purchase pension schemes	**28**	30
	372	317

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

11. Tax on profit on ordinary activities

(a) Recognised in the income statement:

	2018	2017
	£'000	£'000
Current tax:		
UK corporation tax	**5,504**	390
Double taxation relief	**-**	(322)
Adjustments in respect of prior years	**429**	323
	5,933	391
Foreign tax in respect of current year	**1,707**	1,624
Adjustments in respect of prior years	**-**	(101)
Total current tax	**7,640**	1,914
Total deferred tax	**105**	250
Total tax on profit	**7,745**	2,164

(b) Recognised in other comprehensive income:

	2018	2017
	£'000	£'000
Re-measurement of defined benefit liability	**(30)**	924
Cash flow hedging	**181**	1,032
	151	1,956

11. Tax on profit on ordinary activities (continued)

(c) Factors that may affect future tax charges:

The tax assessed for the year is higher than (2017 higher) the standard rate of UK corporation tax 19% (2017: 19.25%). The differences are explained below:

	2018 £'000	2017 £'000
Profit before taxation	**31,572**	7,787
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 19.00% (2017: 19.25%)	**5,999**	1,499
Effects of:		
Expenses not deductible for tax purposes	**16**	(855)
Financial Derivatives	**-**	(37)
Share based payments	**-**	(24)
Rate change impact	**(21)**	(96)
Adjustments in respect of prior years	**364**	375
Unrelieved foreign tax	**1,387**	1,302
Adjustment in respect of foreign tax	**-**	-
Total tax for the year	**7,745**	2,164

The main rate of corporation tax was reduced from a rate of 19.25% (2017) to a rate of 19% for the calendar year 2018.

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

12. Tangible assets

	Assets under construction	Long leasehold land and buildings	Plant and machinery	Fixtures, fittings and IT equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2018	2,153	27,505	87,828	7,095	124,581
Additions	1,244	-	1,046	5	2,295
Transfers	(934)	49	864	21	-
Disposals	-	-	-	(2,317)	(2,317)
At 31 December 2018	**2,463**	**27,554**	**89,738**	**4,804**	**124,559**
Accumulated depreciation					
At 1 January 2018	-	5,644	49,325	5,165	60,134
Charge for the year	-	919	3,516	667	5,102
Disposals	-	-	-	(2,315)	(2,315)
At 31 December 2018	**-**	**6,563**	**52,841**	**3,517**	**62,921**
Net book value:					
At 31 December 2018	**2,463**	**20,991**	**36,897**	**1,287**	**61,638**
At 31 December 2017	2,153	21,861	38,503	1,930	64,447

13. Investments

	2018	2017
	£'000	£'000
Shares in associated undertakings	**4**	-

The company owns 0.1% of the ordinary shares of TechnipFMC Guyana Inc (registered office: 2 Avenue of the Republic, Georgetown, Guyana) and 1% of the ordinary shares of FMC Technologies Chile Limitada (registered office: Callao 2910, Office 704 Las Condes, Santiago, Chile).

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

14. Inventories

	2018 £'000	2017 £'000
Raw materials and consumables	**68,272**	30,916
Work in progress	**1,042**	643
	69,314	31,559

There is no material difference between the carrying value of inventories and the replacement cost.

15. Debtors

	2018 £'000	2017 £'000
Trade debtors	**10,265**	35,871
Amounts owed by group undertakings	**32,495**	117,105
Contract assets	**15,299**	21,173
Other debtors	**2,016**	1,281
Prepayments and accrued income	**468**	456
	60,543	175,886

Trade debtors are stated after provision for impairment of £12,000 (2017: £41,000).
Amounts owed by group undertakings are stated after provision for impairment of £60,469,000 (2017: £1,339,000) and due within one year are repayable on demand, unsecured and interest free.
Contract assets are stated after provision for impairment of £nil (2017: £nil)

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

16. Creditors: amounts falling due within one year

	2018	2017
	£'000	£'000
Contract Liabilities	31,063	45,770
Trade creditors	40,221	48,832
Amounts owed to group undertakings	104,695	106,447
Corporation tax	4,912	3,007
Taxation and social security	463	445
Accruals and deferred income	14,421	22,552
	195,775	227,053

Amounts owed to group undertakings includes the current portion of a loan payable to TechnipFMC Plc (see note 14).

17. Creditors: amounts falling due after more than one year

	2018	2017
	£'000	£'000
Amounts owed to group undertakings	750	15,750

In 2012 the Company entered into a long-term loan with Technip SA (following the merger on 17th January 2017, became TechnipFMC Plc) to finance the building of our steel tube umbilical factory for an amount of £35m. The amounts owed to group undertakings represents the balance of this loan which is unsecured. Interest is payable on amounts relating to the loan at a rate of LIBOR plus 0.5bp per annum. Early repayment is allowed. Repayments of the principal are due on the last day of each quarter in the amount of £1,750,000 with a final repayment due 31st March 2020 for £750,000.

18. Provisions for liabilities

Deferred taxation

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

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

	2018 £'000	2017 £'000
Deferred tax assets due within 12 months	(32)	(586)
Deferred tax assets due after 12 months	(461)	(138)
Deferred tax assets	**(493)**	**(724)**
Deferred tax liabilities due within 12 months	-	95
Deferred tax liabilities due after 12 months	3,093	2,944
Deferred tax liabilities	**3,093**	**3,038**
Deferred tax liabilities net	**2,600**	**2,314**

Deferred tax assets	**Pension £'000**	**Derivatives £'000**	**Share based payment £'000**	**Cash plan £'000**	**Total £'000**
At 1 January 2017	(1,017)	(1,788)	(28)	(51)	**(2,884)**
Charged/(credited) to income statement	94	85	28	(3)	**204**
Charged/(credited) to other comprehensive income	924	1,032	0	0	**1,956**
At 31 December 2017	0	(671)	0	(54)	**(724)**
Charged/(credited) to income statement	0	32	0	18	**50**
Charged/(credited) to other comprehensive income	0	181	0	0	**181**
At 31 December 2018	**0**	**(458)**	**0**	**(36)**	**(493)**

18. Provisions for liabilities (continued)

Deferred tax liabilities	Accelerated Capital Allowances £'000	Total £'000
At 1 January 2017	2,992	**2,992**
Charged/(credited) to income statement	46	**46**
Charged/(credited) to other comprehensive income	-	**-**
At 31 December 2017	3,038	**3,038**
Charged/(credited) to income statement	55	**55**
Charged/(credited) to other comprehensive income	-	**-**
At 31 December 2018	**3,093**	**3,093**

19. Called up share capital

	2018	2017
	£'000	£'000
Authorised, allotted and fully paid		
5,000,000 (2016: 5,000,000) ordinary shares of £1 each	**5,000**	5,000

20. Capital commitments

Capital commitments contracted but not provided in the financial statements amounted to £1,411,000 (2017: £1,076,000).

21. Other financial commitments

At 31 December 2018 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Operating leases which expire:				
Within one year	**87**	70	**12**	54
In one to five years	**5**	-	**132**	82
In over five years	**1,068**	546	**-**	-
	1,160	616	**144**	136

22. Pension commitments

The company operates two pension schemes: the DUCO Limited Final Salary Pension Scheme and participates in the TechnipFMC WorkSave Pension Plan.

The DUCO Limited Final Salary Pension Scheme
This is a funded scheme of the defined benefit type with assets held in separate trustee administered fund. The scheme was closed to new entrants on 25 November 1995 and the average age profile will therefore increase over time. Since IAS19R requires use of an actuarial method known as the projected unit method (which assumes a stable membership age profile) the current service cost as a percentage of pensionable pay will increase as members of the scheme approach retirement. The company closed the scheme to future pension accrual as at 5 April 2010 and active members were offered the opportunity to join the TechnipFMC Umbilicals Ltd Group Personal Pension Scheme now transferred into the Technip Group Flexible Retirement Plan.

The risks of the scheme are as follows:

(a) *Asset volatility*
The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, this will create a deficit. The scheme holds a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term. As the scheme matures the company

22. Pension commitments (continued)

intends to work with the Trustees to reduce the level of investment risk by moving away from equity investments towards fixed interest investment.
However the company believes that due to the long term nature of the scheme liabilities a level of continuing equity investment is an appropriate element of the company's long term strategy to manage the scheme efficiently.

(b) Changes in bond yields
A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the scheme's bond holdings.

(c) Life expectancy
The majority of the scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the scheme's liabilities.

(d) Inflation risk
The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although caps on the level of inflationary increase are in place). The majority of the scheme's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit

The valuation used has been based on the most recent actuarial valuation of the scheme at 5 April 2017 and was updated by a qualified actuary to take account of the requirements of IAS19R 'in order to assess the liabilities of the scheme at 31 December 2018. Scheme assets are stated at their market values at the respective balance sheet dates. The major assumptions used by the actuary were:

	2018	2017
	%pa	%pa
Rate of increase in pensionable salaries	**N/A**	N/A
Rate of increase of pensions in payment (service pre 1.1.04)	**3.10**	3.20
Rate of increase of pensions in payment (service post 1.1.04)	**3.10**	3.20
Rate of increase to deferred pensions in excess of Guaranteed Minimum Pension	**2.10**	2.20
Discount rate	**2.90**	2.60
Inflation	**3.10**	3.20

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

22. Pension commitments (continued)

The mortality assumption used for the 2018 calculations was the S2PA tables. An allowance was made for future improvements in longevity in accordance with the CMI 2017 projections with a long-term rate of *improvements of 1.50% per annum. The mortality assumption used for the 2018 calculations were the* S2PA tables. An allowance was made for future improvements in longevity in accordance with the CMI 2016 projections with a long-term rate of improvements of 1.50% per annum. These assumptions translate into an average life expectancy in years for a pensioner at age 65:

	2018 Years	2017 Years
Longevity at age 65 for current pensioners		
- Men	22.1	22.2
- Women	24.0	24.1
Longevity at age 65 for future pensioners currently aged 45		
- Men	23.8	23.9
- Women	25.8	25.9

Reconciliation of scheme assets and liabilities

	Assets £'000	**Liabilities £'000**	**Total £'000**
At 1 January 2018	27,360	(26,066)	**1,294**
Benefits paid	(765)	765	-
Employer contributions	414	-	**414**
Current service cost	-	-	-
Past service cost	-	(240)	**(240)**
Interest income / (expense)	709	(670)	**39**
Re-measurement (losses) / gains	(2,874)	1,950	**(924)**
At 31 December 2018	**24,844**	**(24,261)**	**583**
(Irrecoverable Surplus) at period end date			**(583)**
At 31 December 2018			-

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

22. Pension commitments (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumption is:

		Impact on defined benefit obligation			
		2018		2017	
	Changes in assumption	Increase in assumption £'000	Decrease in assumption £'000	Increase in assumption £'000	Decrease in assumption £'000
Discount rate	0.25%	Decrease by 985	Increase by 1,049	Decrease by 1,147	Increase by 1,225
Salary growth rate	Not applicable	-	-	-	-
Inflation growth rate	0.25%	Increase by 1,025	Decrease by 567	Increase by 1,194	Decrease by 972
Life expectancy	Increase or decrease by 1 year	Increase by 922	Decrease by 913	Increase by 1,029	Decrease by 1,345

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some 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 year) has been applied as when calculating the pension liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Total cost recognised as an expense:

	2018	2017
	£'000	£'000
Past service cost	240	-
Interest cost on defined benefit obligation	670	760
Interest cost on irrecoverable surplus	34	-
	944	760

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

22. Pension commitments (continued)

The fair value of the scheme assets was:

	2018	2017
	£'000	£'000
Equity instruments	19,921	21,773
Bonds	3,717	5,014
Cash	1,206	573
	24,844	27,360

The return on the scheme assets was:

	2018	2017
	£'000	£'000
Interest income	709	608
Re-measurements	(2,874)	2,863
Total return on scheme assets	(2,165)	3,471

The Technip Group Flexible Retirement Plan
The company also contributes to member's grouped personal pensions. This arrangement provides benefits on a money purchase, i.e. defined contribution, basis and was set up with effect from November 1996. The contributions paid by the company for the year were £995,000 (2017: £999,000). There were no pension contributions outstanding as at 31 December 2018 (2017: £nil).

23. Share-based payments

Executives and senior employees may be granted stock options and be allocated performance shares in the ultimate parent company, TechnipFMC plc. The stock options are exercisable and the performance shares are granted after a vesting period, depending on TechnipFMC's performance against a panel of competitors.

The following table illustrates the plans in existence, the numbers of shares and movements therein during the year.

Grant date	Acquisition date	Exercise Price in € per share option	Share options 2018	Share options 2017
07/09/2015	07/09/2019	23.915	4,000	4,000
01/07/2016	01/07/2020	24.165	4,000	4,000

Grant date	Acquisition date	Aquisition Price in € per share	Performance Shares 2018	Performance Shares 2017
10/01/2014	10/01/2018	-		1,500
07/09/2015	07/09/2019	-	4,630	5,050
01/07/2016	01/07/2020	-	6,560	6,560
26/06/2017	26/06/2020	-	8,160	9,483
14/06/2018	14/06/2021	-	9,271	-

The (credit) / expense recognised for share-based payments in respect of employee services received during the year is (£1,000) (2017: (£45,000)).

24. Derivative financial instruments

The company uses 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 the utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP:USD; GBP:EUR; GBP:NOK.

24. Derivative financial instruments (continued)

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.

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

Financial Liabilities

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Forward foreign exchange contracts	177	3,112
Amounts falling due out with one year		
Forward foreign exchange contracts	1,318	(623)

Financial Liabilities

	2018	2017
	£'000	£'000
Amounts falling due within one year		
Forward foreign exchange contracts	-	4,179
Amounts falling due out with one year		
Forward foreign exchange contracts	-	14

24. Derivative financial instruments (continued)

Reconciliation of movements in financial instruments

	Cash flow hedging reserve	Derivative financial assets
	£'000	£'000
At 1 January 2018	(1,863)	(1,704)
Total gains of losses		
- In profit or loss (finance costs)		4,321
- In other comprehensive income	954	(1,123)
- In other comprehensive income (deferred tax)	(181)	-
At 31 December 2018	(1,090)	1,494

25. Ultimate controlling party and 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 30th November 2017, Technip-Coflexip UK Holdings Limited sold its shares to TechnipFMC International Holdings BV, a company registered in the Netherlands. The ultimate parent undertaking and controlling entity is TechnipFMC Plc, a company registered 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).

26. 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, the company adopted IFRS 15 using the modified retrospective method applied to those contracts that were not completed as of 1 January 2018 and this would have resulted in a £612,000 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 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 within 2018.

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

26. Changes in accounting policies (continued)

are therefore not reflected in the balance sheet as at 31 December 2017 but are recognised in the opening balance sheet on 1 January 2018.

The effect of adopting IFRS 9 as at 1st January 2018 was to decrease retained earnings by £58.9 million and also decrease trade receivables and offset current trade payables and withholding taxes due to the adoption of the expected credit loss approach.

This impairment relates to the recoverability of an intercompany debt with a company based in Angola. The debt is in respect of normal trade receivables and is not disputed however due to restrictions imposed on the transfer of foreign currency from Angola and the devaluation of the Kwanza it is very difficult to obtain payment.

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	**31-Dec-17 as originally presented £'000**	**IFRS 9 £'000**	**1 January 2018 Restated £'000**
Fixed Assets	64,447	-	64,447
Current assets			
Inventories	31,559	-	31,559
Debtors	175,886	(64,388)	111,498
Creditors - amounts falling due within one year	(227,053)	5,536	(221,517)
Net current liabilities	(19,608)	(58,852)	(78,460)
Total assets less current liabilities	44,839	(58,852)	(14,013)
Creditors: amounts falling due after more than one year	(15,750)	-	(15,750)
Provisions for liabilities	(2,314)	-	(2,314)
Net assets	26,775	(58,852)	(32,077)
Equity			
Called up share capital	5,000	-	5,000
Share premium account	3,664	-	3,664
Retained earnings	18,111	(58,852)	(40,741)
Total shareholder's funds	26,775	(58,852)	(32,077)

26. 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 a decrease of £3.2 million as a result of applying IFRS 15. A difference between revenue recognised under IFRS 15 as compared to 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. The impact was an increase to retained earnings after tax of £612,000.

Analysis of IFRS 15 adoption	31-Dec-17 as originally presented £'000	Reclass -ification £'000	Re-measure ment £'000	1 January 2018 Restated £'000
Current assets				
Contract asset	21,173	(1,625)	-	19,548
Amounts due to group undertakings	117,105	(4,173)	-	112,932
Current liabilities				
Trade creditors	48,832	3,385	(756)	51,461
Contract liabilities	45,770	2,820	-	48,590
Amounts due to group undertakings	106,447	(263)	-	106,184
Corporation tax	3,007	(144)	144	3,007
Retained earnings impact		-	612	

26. 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:

Analysis of IFRS 9 adoption	2018 £'000	2017 £'000
Closing retained earnings 31 December - IAS 39 / IAS 18	26,775	26,775
Increase in provision for trade amounts due from group undertakings	(64,388)	-
Reduction in payables due to group undertakings	5,536	-
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	(58,852)	-
Opening retained earnings 1 January - IFRS 9	(32,077)	26,775

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.

Impairment of financial assets

The company has two 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) arising from the supply of umbilicals and Contract Assets relating to unbilled revenue in respect of the supply of umbilicals.
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.

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 £58,852,000. The loss allowance increased by a further £254,000 during the current reporting period.