Technip E&C Limited

Directors' annual report and financial statements

for the year ended 31 December 2018

Registered number: 3180156

Technip E&C Limited

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Strategic Report

The directors present the strategic report for the company for the year ended 31 December 2018. The company is registered in England, United Kingdom and is limited by shares.

Principal Activities

The principal activity of the company is the provision of engineering, procurement and construction support services for a range of industries including the petrochemical, refining, oil and gas, and power sectors. It also provides a range of related professional services to those industries including consultancy, environmental, safety reviews and project management.

Business Review & Future Developments

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

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Company Turnover	**67,824**	50,306
Operating Profit	**16,882**	6,059
Profit before taxation	**17,555**	5,959
Net Assets	**27,623**	13,502
Gross Profit percentage	**44%**	26%

The company's core business is the execution of projects, as part of the TechnipFMC group with whom we work closely in developing our technology base, standardised project execution methodologies and project management skills, to ensure we remain competitive in the international market place in which we operate.

Business Review & Future Developments (continued)

A Process Design Package project for expanding an ethylene plant in Saudi Arabia was successfully executed during the year. The company also started a Front End Engineering and Design (FEED) package for a carbon capture plant in Norway. An ethylene furnace project in the Middle East was successfully completed and the unit put into operation. Other projects in the Middle East and Turkey were also completed.

The significant increase in opportunities in the ethylene market, which started last year, has continued into this year. In particular, the company expects to be awarded a contract for an extended Process Design Package (PDP) for a grass roots, world scale, ethylene plant in the first half of next year.

The PMC business was awarded a major project for a grass roots refinery in Pakistan in May this year. This project is executed from the London office.

Following the move to London in 2016, the anticipated increase in workload for both TECL and Genesis (our landlord in London) has identified the need for additional office space for TECL, which we plan to address by relocating the office to Milton Keynes in 2019. This will enable TECL to grow to match demand for our services, at a lower unit rental cost. As a large number of the staff reside in the Milton Keynes area, we anticipate retaining key staff.

Significant marketing activity has been carried out during the year marketing the Hummingbird ethanol to ethylene technology acquired in 2016. The first commercial project for this technology is expected to start in 2019.

Our branch office in Kuwait is performing satisfactorily and continues to win work primarily located in Kuwait that is predominantly Project Management Consultancy in nature.

During the year the company Quality, Health, Safety & Environmental (QHSE) systems were updated, in particular, for compliance with the latest edition of ISO 9001. The QHSE systems were audited by BSI and the ISO 9001 certification is now valid until 2020.

The company gives considerable attention to Health, Safety & Environmental (HSE) matters. A HSE manager is accountable to the Managing Director, for ensuring that safe working practices are used on our projects and support activities. In addition, we also provide environmental guidance and services to our clients, and endeavour to apply environmentally friendly practices in our offices.

The directors particularly wish to acknowledge the dedication and efforts of staff during the year.

Future Developments

In the near future, we anticipate that many operators will move forward with projects, particularly in the petrochemical sector. We expect this will enable Technip E&C Limited to secure multiple project awards for both Business Units - Process technology (PT) and Project Management Consultancy (PMC).

In anticipation of increased levels of business, the company is looking to increase office space and to recruit additional staff.

Principal Risks and Uncertainties

Like all businesses we are subject to a variety of risks and uncertainties. Those of particular significance include:

Principal Risks

- The considerable increase in opportunities in the petrochemical sector puts pressure on resources and schedules for projects.
- The risk of Brexit to the company's business is believed to be limited, as most of our work is outside Europe. Most work for European clients is provision of services, for which the risks are lower than for the supply of goods. We are taking mitigating action against Brexit risks in our proposals for European clients.
- Fixed-price and other contracts may experience additional costs, claims or contractual disputes. We manage this risk through a formal risk review procedure on major contracts and a variety of execution measures including use of experienced project managers, regular project reviews and close monitoring of actual and expected costs.
- Foreign currency risks may arise. In bidding and executing projects we analyse and monitor currency inflows and outflows. Where possible and appropriate we hedge certain currency exposures and manage our procurement programmes to purchase in currencies that match our payments under the main contract.
- Political instability in certain markets such as that being experienced in the Middle East may lead to the cancellation, suspension or postponement of projects. Security of our personnel is taken very seriously by the company and we continually monitor the risks of operating in countries.

Financial Risks

- The company has a risk and financial management framework to protect the company from events that hinder the achievement of performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient capital exists and monitor the management of risk at a business unit level.

On behalf of the Board,

S Moran
Director
19 September 2019

Directors' report

The directors present their annual report on the affairs of the company, together with the audited Financial Statements and Independent Auditors' report for the year ended 31 December 2018. The company is a private limited company and it is incorporated and domiciled in UK.

Results and dividends

The profit for the financial year amounted to £14,095,468 (2017: profit of £4,238,527). The directors do not recommend the payment of a final dividend (2017: nil).

Financial Instruments

The financial risk management objectives and policies of the company are addressed in the Strategic Report.

Directors

The directors who held office during the year and up to the date of signing of the financial statements are given below:

Alyn Jones (resigned 19th January 2018)
Stephen Siegel
Charles-Henri Prou (resigned 23rd February 2018)
Franck Topalian (appointed 15th March 2018)
Steven Moran (appointed 1st January 2019)

Qualifying third party indemnity

The company has granted an indemnity to its directors against liability in respect of proceedings brought by third parties subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision was in force throughout the year and remains in force as at the date of approving the Director's report.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees

The company seeks to inform staff and encourage their involvement in its activities in a number of ways, including:

Employees (continued)

a) information passed to staff through normal line management channels following regular Management meetings;

b) regular meetings of management and employee representatives via the staff forum

c) presentations and seminars on topics of general interest, for example, pensions, safety and current projects;

d) written material circulated to staff on an individual basis or displayed on notice boards;

e) the company's and TechnipFMC group's intranet web sites; and

f) a formal system of individual performance appraisal and counselling interviews.

Branches outside the UK

The company operates a branch in Kuwait for the provision of Project Management Consultancy services to a client based in Kuwait.

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.

Directors' confirmations

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.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

One St Paul's Churchyard
London
EC4M 8AP

On behalf of the Board,

S Moran
Director
19 September 2019

Independent auditors' report to the members of Technip E&C Limited

Report on the audit of the financial statements

Opinion

In our opinion, Technip E&C 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 Directors' 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 9, 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.

Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
19 September 2019

Income statement

for the year ended 31 December 2018

	Note	2018	2017
		£	£
Turnover	2	**67,823,851**	50,306,383
Cost of sales		**(37,959,495)**	(37,371,332)
Gross profit		**29,864,356**	12,935,051
Other operating expenses		**(12,982,419)**	(6,876,059)
Operating profit	6	**16,881,937**	6,058,992
Other finance income	7	**916,143**	(77,202)
Interest payable and similar expenses	8	**(242,918)**	(23,241)
Profit before taxation		**17,555,162**	5,958,549
Tax on profit	9	**(3,459,694)**	(1,720,022)
Profit for the financial year		**14,095,468**	4,238,527

Statement of comprehensive income

for the year ended 31 December 2018

	2018	2017
	£	£
Profit for the financial year	**14,095,468**	4,238,527
Items that may be subsequently reclassified to profit or loss		
Cash flow hedges		
(Losses)/gains arising during the year	**(12,000)**	480,000
Tax on (losses)/gains arising	**(2,000)**	(96,000)
Other comprehensive (expense)/income for the year	**(14,000)**	384,000
Total comprehensive income for the year	**14,081,468**	4,622,527

All results arise from continuing operations. The notes from pages 14 to 34 form part of these financial statements

Statement of financial position
as at 31 December 2018

	Note	31 December 2018	31 December 2017
		£	£
Fixed Assets			
Intangible assets	11	**5,794,142**	5,969,675
Tangible assets	12	**745,687**	78,473
Total Fixed Assets		**6,539,829**	6,048,148
Current Assets			
Debtors	13	**33,541,323**	29,185,531
Cash at bank and in hand		**17,918,026**	12,234,627
Total Current Assets		**51,459,349**	41,420,158
Creditors: amounts falling due within one year	14	**(29,083,635)**	(32,482,351)
Net Current Assets		**22,375,714**	8,937,807
Total assets less current liabilities		**28,915,543**	14,985,955
Provisions for liabilities	15	**(1,292,978)**	(1,483,858)
Net Assets		**27,622,565**	13,502,097
Capital and reserves			
Called up share capital	16	**3**	3
Other reserves		**194,866**	155,866
Cash flow hedge reserves		**241,000**	255,000
Profit and loss account		**27,186,696**	13,091,228
Total Shareholders' Funds		**27,622,565**	13,502,097

The financial statements on pages 11 to 34 were approved by the board of Directors and authorised for issue on 19 September 2019 and signed on its behalf by S Moran. The notes from pages 14 to 34 form part of these financial statements.

S Moran
Director
Company number: 3180156

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

	Called up Share Capital £	Other Reserve £	Cash flow Hedge Reserve £	Profit & Loss Account £	Total Shareholders' Funds £
At 1 January 2017	3	98,987	(129,000)	8,852,701	8,822,691
Profit for the financial year	-	-	-	4,238,527	4,238,527
Other comprehensive income	-	-	384,000	-	384,000
Total comprehensive income for the year	-	-	384,000	4,238,527	4,622,527
Share based expenses	-	56,879	-	-	56,879
At 31 December 2017	3	155,866	255,000	13,091,228	13,502,097
Profit for the financial year	-	-	-	14,095,468	14,095,468
Other comprehensive expense	-	-	(14,000)	-	(14,000)
Total comprehensive income for the year	-	-	(14,000)	14,095,468	14,081,468
Share based expenses	-	39,000	-	-	39,000
At 31 December 2018	**3**	**194,866**	**241,000**	**27,186,696**	**27,622,565**

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

1. Accounting policies

1(a) General information

The company is a private company and is incorporated and domiciled in the UK. The address of its registered office is One St Paul's Churchyard, LONDON, EC4M 8AP.

1(b) Accounting policies

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

Basis of preparation

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

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 addressed the financial reporting requirements and disclosure exemption 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 20 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:

- IAS 7, 'Statement of cash flows'
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- Paragraph 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)

1. Accounting policies (continued)

Basis of preparation (continued)

- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  – 10(d), (statement of cash flows)
  – 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  – 16 (statement of compliance with all IFRS),
  – 38A (requirement for minimum of two primary statements, including cash flow statements),
  – 38B-D (additional comparative information),
  – 40A-D (requirements for a third statement of financial position
  – 111 (cash flow statement information), and
  – 134-136 (capital management disclosures)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;

1. Accounting policies (continued)

Turnover

Applicable by the IASB as of January 1, 2018, Technip E&C Ltd applied IFRS 15 "Revenue from Contracts with Customers" setting general accounting principles relating to revenue recognition and superseding the current standards on revenue recognition, particularly IAS18 "Revenue", IAS 11 "Construction Contracts" and the corresponding interpretations IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. Several other amendments and interpretations apply of the first time in 2018 but they do not have an impact on these financial statements. The result of adoption of these new accounting standards has not led to any change in the revenue recognition method. Turnover, which is stated net of value added tax, comprises amounts invoiced for goods and services to third parties, except in respect of long term contracts where turnover is recognised based on cost-to-cost method.

Long term contracts

A long-term contract is defined as the supply of a single substantial contract where the supply extends into different accounting periods. For our long-term contract, because of control transferring over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. 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 estimated costs of completion of the performance obligation. Revenue on ongoing contracts are 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 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.

Amounts recoverable on long term contracts which are included in debtors are stated in the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments received on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and risks and anticipated future losses on contracts, are included as long-term contract balances in debtors.

Related Party Transactions

The company has taken advantage of the disclosure exemption available under Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) not to disclose transactions and balances with fellow subsidiary undertakings which are wholly held within the group, and which are included in the published financial statements of Technip SA, the ultimate parent undertaking.

1. Accounting policies (continued)

Share based payments

Share based awards; Performance Shares and/or Stock options over the shares of Technip SA, the ultimate parent at 16 January 2017 (prior to the Merger with FMC Technologies Inc on 17 January 2017) were granted to certain employees of the company. Under the equity settled, share based compensation Plan, the company receives services from employees as consideration for equity instruments/options of Technip S.A (now TechnipFMC Plc). The company has no obligation to settle the awards. Following the Merger, the underlying shares were equitably converted into those of TechnipFMC plc; the ultimate parent, which entity assumed responsibility for the Plan.

The fair value of options and shares to be granted, measured at grant date using the Cox Ross Rubenstein binomial option pricing model, is recognised as an employee expense with the corresponding increase in equity disclosed in 'other reserves'. The fair value of share options granted and not yet vested is recognised as an expense over the period that the employees become unconditionally entitled to the shares. The amount recognised is adjusted to reflect the actual number of options expected to vest.

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. When the options are exercised the company is recharged the options' original fair value as of the grant date. This recharge is accounted for as a deduction from shareholders' funds.

Restricted stock units and Stock options under new stock-based incentive award plans were not granted to employees of the company in 2018.

1. Accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on page 3.

After making enquiries, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Intangible assets

The company accounts for acquired intangible assets in accordance with IAS 38, Intangible assets. Intangible assets are stated at cost less impairment. Such intangible assets are recognised separately if they meet the criteria for recognition and amortised over their estimated useful economic lives unless these are indefinite in which case they are reviewed regularly for impairment. The Company's acquired intangible asset primarily relate to technology licence which are amortised on a straight-line basis over 15 years which is the useful life of the asset.

Tangible fixed assets and depreciation

Tangible fixed assets are shown at cost, less accumulated depreciation and any provision for impairment. Depreciation is applied to tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Short leasehold buildings and improvements	2 – 7 years
Office equipment and Computer Equipment	2 – 5 years

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the Director considers it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign Currencies

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency").

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

Fair value adjustments under IAS 39 on cash flow hedges are included in other comprehensive income.

Leasing

Rentals paid under operating leases are charged in the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Pensions

The company operates a defined contribution pension scheme which comprises a defined contribution scheme which commenced on 1 January 2005.

The company's contributions to the defined contribution scheme are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

1. Accounting policies (continued)

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event where it is probable that an outline of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Financial Instruments

The Company's activities expose it to the financial risks of changes in exchange rates, and the company uses forward exchange rate contracts and swap exchange rate contracts to manage these exposures. The use of derivative financial instruments is governed by the TechnipFMC Group's policies approved by the Group Treasury Function which provide written principles on the use of derivative financial instruments. Effective January 1, 2018, IFRS 9 replaces IAS 39 bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting. The Company has adopted this change but with no significant impact on these financial statements.

Under IFRS9, financial instruments are subsequently measured at Fair Value Though Profit or Loss (FVTPL), amortised costs, of Fair Value Through Other Comprehensive Income (FVOCI). The classification is based on two criteria: The Company's business model for managing the assets; and whether the instruments' contractual cash flows solely payments of principal and interest on the principal amount outstanding. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstance as at the date of recognition of the assets. Classification and measurement criteria of IFRS 9 did not have a material impact.

For hedges, the gain or loss relating to the ineffective portion is recognised immediately in the Income Statement within 'Other operating income/(expense)'. Amounts accumulated in equity are released to the Income Statement when the hedged item affects the Income Statement and are also classified in the Income Statement within 'Other operating income/(expense)'.

The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward looking Expected Credit Loss ("ECL") approach. IFRS 9 requires to record allowances for ECL's for all loans and other financial assets held at fair value though profit and loss. For contract assets, trade receivables and loans, The Company has elected to apply a simplified approach and calculated ECL based on loss rates from historical data. Under this simplified approach, The Company develops loss rate statistics based on the amount written off over the life of the financial assets and adjust for current conditions and expectation about the future.

The adoption of ECL requirements under IFRS 9 did not have a material impact.

1. **Accounting policies (continued)**

1(c) Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

(a) **Revenue recognition**

Project revenue is calculated by the percentage-of-completion method. The company assess revenue and margin over the life of a project and recognise both in proportion to the percentage cost incurred to date. The percentage of completion is 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.

(b) **Technical Contingencies and Provisions**

Technical contingencies are allowances made within project costs estimates to cover unforeseen expenditures incurred during the delivery of a project. As soon as the estimate of the final outcome of a contract indicated a loss, a provision is recorded for the entire loss.

Both contingencies and provisions are assessed by the company to reflect perceived risk.

2. Turnover

Turnover comprises the value of sales excluding VAT, of goods and services in the normal course of business. All turnover relates to one class of business.

An analysis of turnover to third parties by geographical market by destination is given below:	**2018** **£**	2017 £
United Kingdom	**2,767,077**	2,537,910
Rest of Europe	**6,236,330**	4,562,421
Americas	**60,285**	6,684
Asia Pacific	**1,111,726**	1,766,753
Middle East and Africa	**57,648,433**	41,432,615
	67,823,851	50,306,383

3. Staff Costs

The average monthly number of employees, including Directors, was:

	2018 Number	2017 Number
Production and engineering	**293**	273
Sales	**12**	13
Administration	**31**	31
	336	317

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	**27,431,879**	24,659,475
Share based payment expense – Note 10	**39,000**	56,879
Social security costs	**1,263,526**	1,277,713
Other pension costs – Note 18	**1,073,890**	982,113
	29,808,295	26,976,180

4. Directors' remuneration

The remuneration of the Directors was as follows:	2018 £	2017 £
Emoluments	**34,122**	309,498
Company contributions to money purchase pension schemes	**9,619**	12,934
	43,741	322,432

The following amounts were paid to the highest paid Director:	£	£
Emoluments	**34,122**	309,498
	34,122	309,498

5. Director's remuneration

	2018 Number	2017 Number
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**1**	1

In 2018 the highest paid Director, who is the only Director remunerated through the company did not exercise any share options (2017: nil) and received only an annual bonus. The other directors are remunerated through other group companies and it has not been deemed feasible to disaggregate their equivalent salaries for their directorship with Technip E&C Limited.

6. Operating profit

This is stated after charging / (crediting):	**2018** **£**	2017 £
Depreciation of tangible fixed assets – owned assets (Note 12)	**43,799**	63,657
Operating lease charges	**1,152,428**	1,305,507
Amounts receivable by auditors and their associates in respect of:		
• Audit of these financial statements	**65,000**	66,663
Realised exchange loss	**114,767**	121,012
Unrealised exchange (gain) / loss	**(1,020,520)**	372,481

7. Other finance income

	2018 **£**	2017 £
Bank interest	**871,042**	947
Intercompany interest receivable	**1**	27,144
	871,043	28,091

8. Interest payable and similar expenses

	2018 **£**	2017 £
Intercompany interest payable	**242,918**	23,241
	242,918	23,241

9. Tax on profit To be updated

(a) Tax on / profit	**2018**	2017
	£	£
Current tax:		
Current tax on profits for the year	**3,316,616**	949,610
Adjustment in respect of prior years	**(65,650)**	444,548
Foreign Tax relief	**(1,307,795)**	(676,747)
Foreign Tax suffered	**1,385,990**	940,766
Total current tax	**3,329,161**	1,658,177
Deferred tax:		
Current Year	**76,461**	27,807
Adjustments in respect of previous periods	**62,120**	37,284
Effect of changes in tax rates	**(8,048)**	(3,246)
Total deferred tax charge	**130,533**	61,845
Tax per income statement	**3,459,694**	1,720,022
Other comprehensive income items		
Deferred tax current year (credit)/charge	**(2,000)**	96,000
	(2,000)	96,000

9. Tax on profit (continued) To be updated

(b) Factors affecting current tax charge

The tax assessed for the year is lower than (2017: higher than the standard effective rate of corporation tax in the UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%).

	2018	2017
	£	£
Profit on ordinary activities before taxation	**17,555,162**	5,958,549
Standard rate UK corporation tax at 19.00%(2017: 19.25%):	**3,335,481**	1,147,299
Effects of:		
Adjustments in respect of prior periods	**(3,530)**	481,832
Expenses not deductible for tax purposes	**18,413**	29,167
Income not taxable	**12,498**	(197,737)
Effect of changes in tax rates	**(8,048)**	(3,246)
Share Options	**26,686**	(1,312)
Double Tax Relief	**78,194**	264,019
Tax (credit) / charge for the financial year	**3,459,694**	1,720,022

(c) Deferred tax (asset)/liabilities:

Fixed Assets	**(185,005)**	235,111
Short term timing difference	**(9,250)**	89,677
Derivatives	**75,260**	(77,260)
Deferred tax asset	**118,995**	247,528

The above deferred tax asset has been included within debtors. Further details are given in Note 13.

(d) Factors affecting current and future tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016 and received Royal Assent on 15 September 2016. These include reductions to the main rate to reduce the rate to 17% which have been enacted at the balance date of these financial statements.

10. Technip Share option plans

The expense recognised for share based payments in respect of employee services during the year to 31 December 2018 was £39,000 (2017: £56,879) and the company has not as yet been recharged by Technip SA.

The tables below summarise information relating to free shares granted to employees of the Company which were outstanding at 1 January 2018 and 31 December 2018.

Free shares				
Free Shares	**2015**	**2016**	**2017**	**2018**
Award Date	Sep-15	Jul-16	Jul-17	Jun-18
Acquisition Date	Sep-19	Jul-20	Jul-21	Jun-22
Method of Settlement	Equity	Equity	Equity (New)	Equity (New)
No of shares at 31 December 2018	**532**	**3600**	**2180**	**-**
No of shares at 31 December 2017	**532**	**3600**	**2180**	**-**

The evaluation method uses the general assumptions common to all option valuation models (exercise price, useful life, share prices at grant date, expected volatility of the share price, estimated dividends and risk free interest rate for the option life). The assessment of volatility combines company historical volatility and implicit share volatility.

11. Intangible assets

The movement in the year is as follow	Licences, Software & Technology £
Cost	
At 1 January 2018	13,895,867
Additions in the year	-
As at 31 December 2018	**13,895,867**
Accumulated amortization	
At 1 January 2018	(7,926,192)
Charge for the year	(175,533)
As at 31 December 2018	**(8,101,725)**
Net book Value as at 31 December 2018	**5,794,142**

Intangible Assets are composed of existing assets as of the end of both reporting periods. Balances described as goodwill in the previous financial statements have been reclassified to one total pool of licences, software and technology which includes technology and know how acquired in historical business combinations:

- Licences and software are primarily comprised of the Hummingbird Technology licence that was acquired in 2016 and amortized over 15 years which is the assessed useful life of the asset.
- Technology refers to technological knowhow acquired in historical business combinations and is amortised over 7 years which is the period in which this technology is expected to be used.

12. Tangible assets

	Short Leasehold Building improvements	Office and Computer Equipment	Total
	£	£	£
Cost			
At 1 January 2018	1,381,295	1,729,351	3,110,646
Additions	550,353	160,660	711,013
At 31 December 2018	**1,931,648**	**1,890,012**	**3,821,659**
Accumulated depreciation			
At 1 January 2018	(1,381,295)	(1,650,878)	(3,032,173)
Charge for year	-	(43,799)	(43,799)
At 31 December 2018	**(1,381,295)**	**(1,694,677)**	**(3,075,972)**
Net book value			
At 31 December 2018	**550,353**	**195,335**	**745,687**
At 31 December 2017	-	78,473	78,473

Additions in the year for leasehold buildings relate to new office lease in Milton Keynes entered to in Q4 2018. This has not been depreciated in 2018 because the office was being fitted out and was not yet in use. Depreciation commenced in April 2019 when the building became occupied.

13. Debtors

	2018	2017
	£	£
Trade debtors	**19,138,112**	14,637,345
Amounts owed by Group undertakings	**5,135,462**	4,446,047
Amounts recoverable on long term contracts	**5,908,667**	7,450,819
Deferred taxation	**118,995**	247,528
Corporation tax	**1,784,054**	1,716,940
Forward currency derivative contracts	**492,000**	(39,000)
Other debtors	**439,822**	371,234
Prepayment and accrued income	**524,211**	354,618
	33,541,323	29,185,531

Amounts owed by group undertakings are unsecured, bear no interest and are repayable on demand.

The movement on the deferred taxation asset disclosed above is as follows:

	2018	2017
	£	£
Provision at start of year	**247,528**	405,373
Adjustments to the estimated recoverable amount of deferred tax assets arising in previous periods	**(62,120)**	(37,284)
Deferred tax charge to income statement for the year	**(68,413)**	(24,561)
Deferred tax charge to OCI for the year	**2,000**	(96,000)
	118,995	247,528

IFRS 9 introduces a new model for recognition and measurement of losses for financial assets measured at amortised cost or FVTOCI based on expected credit losses. For external receivables and contract assets, the ECL to be applied locally is the ECL rate calculated at Group level as 0.1436% as at 31 December 2018 yielding no material impairment. For internal receivable and contract assets, the intercompany correspondent liquidity analysis approach has been applied yielding no impairment.

14. Creditors amounts falling due within one year

	2018	2017
	£	£
Trade creditors	**5,578,430**	588,294
Amounts owed to Group undertakings	**156,194**	4,431,352
Payments received on account	**7,883,017**	10,874,080
Corporation Tax payable	**5,031,921**	3,942,923
Forward currency derivative contracts - Liabilities	**55,000**	(480,000)
Other creditors including taxation and social security	**4,584,590**	4,261,310
Accruals and deferred income	**5,794,483**	8,864,392
	29,083,635	32,482,351

Amounts owed to group undertakings are unsecured, bear no interest and are repayable on demand.

15. Provisions for liabilities

	Restructuring Provision	**Dilapidation Provision**	**Loss Provision**	**Total**
	£	**£**	**£**	**£**
At 1 January 2018	506,000	935,000	42,858	1,483,858
New provision created	259,291	65,000	-	324,291
Utilised in the year	(506,676)	-	(8,495)	(515,171)
At 31 December 2018	**258,615**	**1,000,000**	**34,363**	**1,292,978**

The dilapidation provision relates to the estimated costs associated with the Company's obligation to reinstate leased buildings to their original state. In July 2019, the lease building was surrendered, and dilapidation provision dully settled.

The loss provision relates to foreseeable loss at completion of a long-term project where the project costs exceeds the total project revenue.

16. Called up share capital

	2018	2017
	£	£
Allotted, called-up and fully paid		
3 (2017: 3) ordinary shares of £1 each	**3**	3

17. Financial commitments

Capital commitments

There were no capital commitments at 31 December 2018 (31 December 2017: nil).

Lease commitments

The company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		Other leases	
	2018	2017	**2018**	2017
	£	£	**£**	£
Not later than one year	**1,277,958**	1,277,958	-	-
Later than one year and not later than five years	-	1,310,343	**395,345**	279,338
Later than five years	-	-	-	-
	1,277,958	2,588,301	**395,345**	279,338

18. Pension Commitments Defined Contribution Scheme

The Company operates a defined contribution pension scheme. The pension cost for the year represents contributions payable by the Company to the scheme including contributions payable through a salary sacrifice scheme and amounted to £1,073,890 (2017: £982,113).

At 31 December 2018 there were no contributions prepaid or accrued and not paid (31 December 2017: nil).

19. Guarantees and contingent liabilities

The Company has a contingent liability with respect to bonds totalling £16,199,870 (2017: £22,592,610).

20. Ultimate Parent Company

On January 17, 2017, TechnipFMC Plc (TechnipFMC) (NYSE and Euronext: FTI) announced that it is operating as a unified, combined company following completion of the merger of FMC Technologies Inc (FMC) and Technip SA (Technip). The merger created a global leader in oil and gas projects, technologies, systems and services that will enhance the performance of the world's energy industry.

The ultimate parent undertaking and controlling party is TechnipFMC Plc, a company incorporated in the United Kingdom, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The consolidated financial statements of TechnipFMC Plc are available at the TechnipFMC website (investor.technipfmc.com).

www.technipfmc.com