

# Technip UK Limited

## Annual report and financial statements

for the year ended 31 December 2021



# **Technip UK Limited Annual report and financial statements for the year ended 31 December 2021**

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# Technip UK Limited

## Strategic Report for the year ended 31 December 2021

The directors present their Strategic Report for the year ended 31 December 2021.

### Principal Activities

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

### Business Model

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

- rigid and flexible pipe – both cost effective and highly reliable means for transporting oil and gas in shallow and deepwater.
- umbilicals providing power, control and fluid transportation.
- subsea production systems including xmas trees, controls and connectors.
- Subsea construction and installation.
- Inspection, repair and maintenance ("IRM") activities to maintain integrity and availability of client assets.
- Asset integrity and riser integrity.
- Decommissioning of subsea infrastructures to assist operators in returning the seabed to its natural state;
- Management of vessel fleet and personnel; and
- Energy Transition, our model focused on three key pillars, Carbon Capture and Transportation, Hydrogen, and Floating Offshore Renewables.

By being a leader in subsea production systems and umbilicals, risers and flowlines combined with installation capabilities, TechnipFMC can deliver what no other competitor can – a full water column and seabed solution from a trusted partner. Integrating those key facets of a subsea energy project under our Integrated Engineering, Procurement, Construction and Installation (IEPCI) offer, creates cost savings, optimised architecture, reduced contractual risks and improved performance over the life of field. This strategy relies on the following priorities:

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

### Business review

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

#### Financial

	2021 £000	2020 £000
Revenue	526,098	696,560
Gross (loss) / profit	(41,723)	56,922
Operating loss	(72,582)	(7,682)
Loss for the financial year	(93,300)	(20,815)

## Strategic report for the year ended 31 December 2021 (*continued*)

### Business review (*continued*)

The decrease in revenue and profit in 2021 is driven by a reduction in project activity both in UK and International projects compared to the prior year. The operating result deteriorated due to a combination of execution of more competitively priced backlog and the negative operational impacts resulting in losses on specific UK and International projects in 2021 compared to cost upside in 2020 on close out of a project.

The loss for the financial year is further impacted by vessel activity with the gross loss from OneFleet business unit increasing to £49,483,000 (2020: £35,510,000). The vessels are owned by the Technip UK business unit "One Fleet" and the vessels are provided to other group companies to be utilised on projects with the other group companies being charged a day rate for use of the vessels. During 2020, the TechnipFMC Group Take and Pay agreements which previously allocated the commercial utilization risk of the vessels to other TechnipFMC entities was ceased. The ceasing of this arrangement leaves the utilization risk with the Company and has therefore contributed to the losses in the year from this business unit.

The Directors of the Company manage the company's operations on a divisional basis. For this reason, the company's Directors believe that analysis using other non-financial key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. See note 25 for details of where copies of the Group's financial statements can be obtained.

### Principal risks and uncertainties

The overall outlook for crude oil and gas has increased in relation to in 2021 and continues to rise in 2022, with the long-term demand for energy still forecast to rise significantly. The order intake achieved in 2021 doubled the level achieved in 2020 despite some customers delaying investment decisions. Demand for our products and services depends on oil and gas industry activity and expenditure levels, which are directly affected by trends in the demand for and price of crude oil and natural gas. We operate in a competitive environment and unanticipated changes relating to competitive factors in our industry including ongoing industry consolidation, may impact our results of operations.

We saw a growth of early engagement with customers in integrated, front end, engineering, and design (iFEED). Our iFEED front-end engineering and design combines the scope of Subsea Production System (SPS) and Subsea Umbilical Riser Flowline (SURF) to deliver a full field subsea architecture design. Our front-end team works with clients to understand their needs from an overall system perspective, and when we engage in the early phase of a project we have the greatest opportunity to reduce costs. We incorporate our own proprietary cost-saving solutions and capabilities as well as industry-leading products and technologies. Integrated Engineering, Procurement, Construction and Installation (iEPCI) can support our client's initiatives to improve subsea project economics by helping to reduce cost and accelerate time to first oil.

We are dependent on conditions in the oil and gas industry including the level of exploration, development and production activity and capital spending. Any substantial or extended decline in these expenditures may result in the reduced pace of discovery and development of new reserves of oil and gas and the reduced exploration of existing wells, which could adversely affect demand for our products and services and in certain instances result in the cancellation, modification, or re-scheduling of existing orders in our backlog. These factors could have an adverse effect on our revenue and profitability. The level of exploration, development and production activity is directly affected by trends in oil and natural gas process, which historically have been volatile and are likely to continue to be volatile in the future.

The covid pandemic including actions taken by Governments and Businesses has resulted in a reduction in global economic activity including increased volatility in global oil and natural gas markets. Measures taken to address and limit the disease such as stay at home orders, social distancing guidelines and travel restrictions have adversely affected the economies and financial markets of many countries. The resulting disruption to our operations, communications, travel and supply chain may continue or increase in the future, and could limit the ability of our employees, partners, or vendors to operate efficiently or at all, and has had, and is reasonably likely to continue to have an adverse impact on our financial condition, operating results, and cashflows. However, it should be noted that in 2021 our project operations continued, and that despite Covid interruptions globally, our Fleet continued to deliver to our customers, as contractually obliged.

## Strategic report for the year ended 31 December 2021 (*continued*)

### Principal risks and uncertainties (*continued*)

The oil and gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for oilfield services and downward pressure on the prices we charge. The oil and natural gas market remains quite volatile, and price recovery and business activity levels are dependent on variables beyond our control, such as geopolitical stability, increasing attention to global climate change resulting in pressure upon shareholders, financial institutions and/or financial markets to modify their relationships with oil and gas companies and to limit investments and/or funding to such companies, increasing likelihood of governmental regulations, enforcement, and investigations and private litigation due to increasing attention to global climate change, OPEC+'s actions to regulate its production capacity, changes in demand patterns, and international sanctions and tariffs. Continued volatility or any future reduction in demand for oilfield services could further adversely affect our financial condition, results of operations, or cash flows

Further information regarding the principal risks and uncertainties facing the wider TechnipFMC group can be found in the TechnipFMC plc 2021 Annual Report.

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

Health, safety, quality and sustainability are part of TechnipFMC's foundational beliefs. We strive to continually improve our performance in this area, with especially strong focus on our safety performance. We will not compromise safety, health, security or environmental sustainability to achieve our financial, project, service and manufacturing objectives.

We are committed to fostering an incident-free environment worldwide through:

- Our fundamental belief that all injuries are preventable.
- Setting health, safety, environmental and security objectives specific to TechnipFMC and the scope of our activities.
- Fostering a leadership climate that protects the health, safety and security of our employees, contractors, suppliers, clients, visitors and of all those engaged or affected by our activities.
- Committing our resources and expertise to continually eliminate hazards, reduce risks and prevent injury, ill health and environmental pollution related to our activities, through design, process improvement and technologies.
- Operating in a manner that protects the environment and develops sustainable solutions to reduce carbon emissions and the overall environmental footprint.
- Securing our people, assets, technology, sensitive information and reputation.
- Fulfilling and when we deem necessary, exceeding legal, compliance and other obligations to meet our internal values.
- Achieving continual improvement of the HSES management system to enhance health, safety, environmental and security performance.
- Implementing and encouraging consultation and participation of workers.

Our success and continuous improvement will be measured through the reduction of incidents, risks, and environmental footprint through clear and meaningful performance indicators.

Our behaviour safety program Pulse is designed to underpin a drive for the development of our people to adopt safety leadership behaviours. A key principle is to align mindsets to develop a single, global health and safety culture. The program is summarized by the Pulse formula for success: Inspire, Interact, Intervene. Each element of the formula integrates the principles of human performances: lead by example, actively listen to others and promote safety conversations, collaborate with colleagues, welcome and praise all interventions you receive or observe.

In 2022, we have relaunched a refresher on this programme as part of reintegration to the office post COVID with over 80% of the workforce in Subsea Projects UK attending these sessions. We will continue this journey in future with development of targeted e-learning.

## Strategic report for the year ended 31 December 2021 (*continued*)

### Quality, Health, Safety, Environment and Security (QHSES) (*continued*)

Our Serious Incident and Fatality Prevention ("SIFP") Program is a cornerstone of our prevention mindset. SIFP is a proactive high Impact Risk Prevention Program which aims to shift the organization focus from reactive to proactive risk reduction. The objectives are to prevent Serious Injuries, to proactively reduce our overall risk profile by putting mitigation strategies in place, and to bring visibility to critical issues requiring the support of leadership. This will continue to be an area of focus in 2022.

In response to the COVID-19 pandemic, the mental health of our employees became an even greater focus. We implemented significant changes in 2020 and 2021, which we determined were in the best interest of our employees, as well as the communities in which we operate, and which comply with applicable government regulations. This included having at times, the vast majority of our employees work from home. We now have a fully established flexible working model in place for all staff to ensure a continued focus on mental health of employees as well as achieving a solid work / life balance.

### Climate change

The Company has taken advantage of the exemption in S1 2018/1155 from the requirement to disclose Streamlined Energy and Carbon Reporting on the basis that the company is consolidated within the financial statements of TechnipFMC plc and the relevant reporting is included as part of the group accounts.

The TechnipFMC group was created with the vision to drive real change in the energy industry. In recent times, there has been increasing attention from stakeholders, investors, customers on renewable energy and Environment, Social and Governance ("ESG") practices and disclosures, including practices and disclosures related to greenhouse gases and climate change. If we are unable to meet the ESG standards, investment and/or lending criteria set by investors, we may lose investment and our reputation may be negatively affected. The group is exploring opportunities in greenhouse gas removal, offshore floating renewables, and hydrogen, and are confident that its strategy and beliefs drive its ESG practices to reshape the industry for a sustainable future.

### Future developments

TechnipFMC with our proprietary technologies and production systems, integrated expertise, and comprehensive solutions, 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.

Subsea Studio™ is transforming the conventional concept, FEED and tendering phases of subsea projects. Working with our clients, we are now able to develop ultra-fast, digital field architectures that bring together decades of engineering knowledge with artificial intelligence and machine learning to optimize product configurations, accelerate execution, and maximize value.

Subsea Studio™ has an open architecture that allows integration with other engineering and manufacturing systems, eliminating the need for multiple hand-offs, and resulting in as much as a 50% reduction in the time required for front-end engineering. We are extending the platform beyond subsea system design to incorporate the execution and field management phases of a project. Once fully implemented, we will have a complete digital thread from concept design, all the way through to the life of the field.

The Global Market has faced a twin threat to stability in early 2022.

This has resulted in an increase in oil and gas prices (seen during 2021 and continuing in 2022), as covid vaccination rates, loosening pandemic related restrictions and a growing economy, resulted in global demand rising faster than supply.

The growing escalation of war in the Ukraine has further caused Global Oil and Gas prices to spike, and continuation of this action will undoubtedly have consequences for Global Supply and Demand of Oil and Gas to Europe.

## Strategic report for the year ended 31 December 2021 (*continued*)

### Future developments (*continued*)

After a successful 2021 for Order Intake, we are confident we will see continued growth in 2022. The creation of strategic alliances with key UK operators provides a strong basis to win this future work. Many of these alliances will be exclusive and will allow us to work closely with the client from Feed to Production.

Despite concern in Q2 of 2021, that UK awards will be affected by COP 26 and further Environmental sanctions, there is renewed optimism that the UK government will sanction a significant portfolio of projects to ensure Energy Security in the UK.

2022 has already seen renewed activity and we expect sanction of previously delayed projects. The previous pessimism in the UK North Sea has dissipated and we see a renewed flurry of tie backs and new fields being sanctioned in the next few years.

We continue to work closely with all our customers and believe that, with our unique business model we can further reduce their project break-even levels by offering cost-effective solutions to their project developments and accelerate first production

Energy Transition will also play a significant part of the work done in the UK. The launch of NEV (New Energy Ventures) demonstrates how we are leveraging our subsea competencies to help clients in new energies. Our model focused on three key pillars, Carbon Capture and Transportation, Hydrogen, and Floating Offshore Renewables.

The company, through its New Energy Ventures business unit, is collaborating with Magnora ASA in a Floating Wind Alliance.

The entity known as Magnora Offshore Wind (MOW) AS took part in the ScotWind leasing round in 2021 held by Crown Estate Scotland and was awarded in early 2022, the opportunity to sign an option agreement for the N3 area, situated in the north-western part of the country, about 40 km offshore Western Isles.

The partnership plans to secure consent in 2026, make the final investment decision in 2028 and complete the project in 2030. The resulting wind farm will span 100 sq km, consisting of 33 semi-submersible floating wind turbines of 15 MW each.

Magnora Offshore Wind was set up in January 2021 to make use of Magnora's renewable and offshore project development expertise and TechnipFMC's know-how in executing large integrated offshore projects.

Further developments will follow with MOW, bidding in "stepping stone projects" and further rounds in the UK where TechnipFMC can leverage its EPC experience as the business moves with the Energy Transition.

The effects of the United Kingdom's withdrawal from the European Union are still being evaluated, after it formally withdrew membership from the European Union in December 2020. So far supply chain issues have occurred, although without significant financial impact to projects. Some additional bureaucracy and some smaller costs and taxes have occurred within the supply chain, but the overall effect has not yet been as dramatic as predicted by many. However, this remains an ongoing issue and will be continually monitored. Any of these factors could have a material adverse effect on our business, financial condition, or results of operations.

Uncertainty remains as to the impact of Covid on our operations and we are closely monitoring the effects of the pandemic on commodity demands and on our customers. Further lock downs or a re-emergence of the virus could have further implications to our results.

## Strategic report for the year ended 31 December 2021 (*continued*)

### Decision making and section 172 of the Companies Act

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, to be most likely to promote the success of the Company for the benefits of its shareholders as a whole, having regard to the stakeholders and matters set out in 172 (1) (a-f) of the Companies Act 2006 in the decisions taken during the year. In particular, we refer to:

#### Employees

We are committed to our employees, and our employee guidelines are specified in our Code of Business Conduct, which applies to all employees, regardless of their roles and no matter where they work.

Our hiring and employee development decisions are fair and objective. Employment decisions are based only on relevant qualifications, performance, demonstrated skills, experience, and other job-related factors, with our goal of creating a diverse, tolerant, and inclusive workforce.

Direct personal communication with employees is an integral part of the Company's personnel philosophy. The Company has a robust internal communications strategy and supports communication channels that ensure that all employees are communicated within a timely and relevant way. The effectiveness of internal communication is continually monitored and adjusted based on a focus group feedback program that reaches multiple levels across the Company.

Employees are regularly consulted and provided with information on changes and events that may affect them through channels such as regular meetings, employee representatives and the company's intranet site. These consultations and meetings ensure that employees are kept informed of the financial and economic factors affecting the company's performance and matters of concern to them as employees.

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

Three of the Company's Foundational Beliefs – integrity, respect and sustainability – are embedded in fair employment practices and equal opportunity. The Company's policy is that our employment decisions related to recruitment, selection, evaluation, compensation and development are not influenced by unfair discrimination based on race, religion, gender, age, ethnic origin, nationality, sexual orientation, gender or disability.

### Business Relationships – Customers, Subcontractors and Suppliers

It is our policy that our Code of Business Conduct be shared and discussed with clients, suppliers and our business partners to explain our rules of conduct and reinforce our culture of accountability. The supply of goods and services is critical to our success as a business. We implement processes and procedures to enable us to manage our supply chain and supplier relationships effectively. As part of these processes and procedures we work to identify and engage suppliers who can meet the demands of our business at a competitive cost. We actively assess and monitor our suppliers' compliance with regulations, principles, and guidelines relating to modern slavery, sustainability, human rights, anti-bribery amongst others.

### Community and Environment

We are committed to minimizing our impact on the environment and drive our environmental performance through ongoing global initiatives:

- A network of Environmental Leads and Experts who support a holistic approach to environmental management and ensure continual improvement.
- Prioritizing the protection of the planet by constantly seeking and implementing sustainable solutions via the ESG Roadmap.
- A responsible approach to Greenhouse Gas Management throughout the organization and objectives to consistently enhance the reduction of our Carbon Footprint.
- A focus on natural resources and waste reduction Environmental Best Practices.



# Technip UK Limited

## Strategic report for the year ended 31 December 2021 (*continued*)

### Decision making and section 172 of the Companies Act (*continued*)

#### Community and Environment (*continued*)

- A Single-Use Plastic Elimination initiative to protect our oceans and nature.

We are committed to a culture of awareness, fair representation and making a difference within the community. We promote our commitment to inclusion and diversity as it is the heart of our Core Values. Embedding it in everything we do leads to opportunities for all and us being seen as an “employer of choice” in the Energy Industry.

In the past year some highlights to note are as follows;

- 100% of all managers trained in our inclusive leadership learning.
- We are actively promoting and attracting a fair representation in society with 45% of graduates hire are women
- 20% improvement in under-represented populations in senior management position.

In addition, we are passionate about our communities with over 150 global STEM initiatives and 800 employees engaged globally in volunteering.

#### Governance

The Company has continued reviewing and improving its management systems and assurance processes. We have continued our certified quality, environmental, safety and health management elements to the following standards ISO 9001:2015, ISO 14001:2015 & ISO 45001.

#### Business Conduct

Our Code of Business Conduct is built on TechnipFMC foundational beliefs and gives all employees a common language for decisions and actions that help us live our core values. We are committed to establishing and maintaining an effective compliance program that is intended to increase the likelihood of preventing, detecting, and correcting violations of Company policy and the law. Moreover, we have a helpline in place for employees, officers, directors, and external parties to anonymously report violations of our Code of Business Conduct or complaints regarding accounting and auditing practices. Reports of possible violations of financial or accounting policies are reported to our Audit Committee.

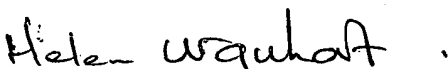
The foundational beliefs are the cornerstone of our values that describe how we fundamentally do business; these are Safety, Respect, Integrity, Sustainability and Quality.

We maintain a compliance program that is designed on a risk-based approach and focuses on the following priorities:

- Human Rights
- Trade controls
- Data privacy
- Anti-bribery and corruption

We believe it is up to all employees to uphold the principles in our Code of Business Conduct.

On behalf of the Board



H Urquhart  
Director

Hadrian House  
Wincomblee Road  
Newcastle Upon Tyne  
NE6 3PL

25 July 2022

## **Directors' report for the year ended 31 December 2021**

The directors present their annual report and audited financial statements of the Company for the year ended 31 December 2021.

### **Results and dividends**

The results of the Company are set out on page 15. The loss for the financial year is £93,300,000 (2020: loss of £20,815,000). No interim dividend (2020: £nil) was proposed and paid during the year. The directors do not intend to propose a final dividend for 2021.

### **Financial risk management**

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

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

### **Foreign currency risk**

The Company buys and sells goods and services in currencies other than sterling. The Company seeks to mitigate the effect of its foreign currency exposures by hedging 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 limited its exposure to foreign currency risks as at the balance sheet date.

### **Interest rate risk**

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

### **Credit risk**

The risk of financial loss could arise due to a counterparty's failure to honour its contractual obligations. The Company has a portfolio that includes large integrated companies and also smaller independents which exhibit different credit risks. Company policies are aimed at minimising such losses and require that customers satisfy creditworthiness procedures and provide acceptable payment terms, supported if necessary by adequate payment security. Overdue debts are carefully monitored and appropriate action is taken for their recovery. Whilst overdue debts arise infrequently, the Company has experienced credit losses in recent periods, although none were experienced in 2021.

### **Liquidity risk**

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

### **Price risk**

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

## Directors' report for the year ended 31 December 2021 (continued)

### Going concern

At the year end, the company was in a net current liability position of £58,273,000 (2020: net current asset position of £30,674,000). The directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the Company's ultimate parent company, TechnipFMC plc. The directors have received written confirmation that TechnipFMC plc will continue to support the Company for at least twelve months from the date of signing the financial statements.

### Directors

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

K Boe	
H Urquhart	
T Bille	(resigned 28 May 2021)
S Cridland	
A Gorman	(appointed 20 May 2021, resigned 29 April 2022)
A Bertram	(appointed 21 April 2022)

### Directors' qualifying third party indemnity provisions

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

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and 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, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

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

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

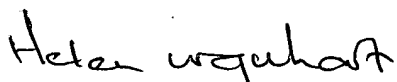
## Directors' report for the year ended 31 December 2021 (continued)

### 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.

On behalf of the Board



H Urquhart  
**Director**

25 July 2022

Hadrian House  
Wincomblee Road  
Newcastle Upon Tyne  
NE6 3PL

Technip UK Limited

# Independent auditors' report to the members of Technip UK Limited

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2021; 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

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Companies Act 2006 and UK and overseas tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to increase profitability and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Review of the minutes of meetings of the Board of Directors;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the accounting for contracts which recognise revenue under the over-time recognition method.

# Technip UK Limited

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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 obtained 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.



Bruce Collins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen  
25 July 2022

# Technip UK Limited

## Income Statement

for the year ended 31 December 2021

	Note(s)	2021 £000	2020 £000
<b>Revenue</b>	<b>4</b>	<b>526,098</b>	696,560
Cost of sales		<b>(567,821)</b>	(639,638)
<b>Gross (loss) / profit</b>		<b>(41,723)</b>	56,922
Impairment of tangible fixed assets	<b>5</b>	-	(430)
Impairment of right of use assets	<b>5</b>	<b>(863)</b>	-
Net impairment reversal/losses on financial and contract assets	<b>5</b>	<b>253</b>	(6,497)
Other operating income	<b>5</b>	<b>72</b>	820
Administrative expenses		<b>(30,321)</b>	(58,497)
<b>Operating loss</b>	<b>5 - 8</b>	<b>(72,582)</b>	(7,682)
Interest receivable and similar income	<b>9</b>	<b>1,247</b>	5,249
Interest payable and similar expenses	<b>10</b>	<b>(9,475)</b>	(13,231)
<b>Loss before income taxation</b>		<b>(80,810)</b>	(15,664)
Income tax expense	<b>11</b>	<b>(12,490)</b>	(5,151)
<b>Loss for the financial year</b>		<b>(93,300)</b>	(20,815)

All activities are continuing.

There is no difference between the loss before taxation and the loss for the financial year stated above, and their historical cost equivalents.



# Technip UK Limited

## Statement of comprehensive income

for the year ended 31 December 2021

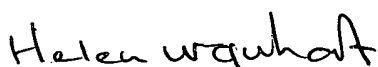
	Note	2021 £000	2020 £000
<b>Loss for the financial year</b>		<b>(93,300)</b>	<b>(20,815)</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains on pension scheme	23	124	129
Movement on deferred tax relating to pension scheme	11 (b)	(31)	(24)
<b>Other comprehensive (expense) / income:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Cash flow hedges	24	(3,493)	2,591
Movement on deferred tax relating to cash flow hedges	11 (b)	664	(492)
		<hr/>	<hr/>
<b>Total other comprehensive (expense) / income for the year net of tax</b>		<b>(2,736)</b>	<b>2,204</b>
		<hr/>	<hr/>
<b>Total comprehensive expense for the year</b>		<b>(96,036)</b>	<b>(18,611)</b>
		<hr/>	<hr/>

# Technip UK Limited

## Statement of financial position as at 31 December 2021

	Note	2021 £000	2020 £000
<b>Non-current assets</b>			
Tangible assets	12	457,712	490,154
Right-of-use assets	13	97,586	132,270
Investments	14	4,494	4,506
		<hr/>	<hr/>
		559,792	626,930
<b>Current assets</b>			
Inventories	15	11,713	9,164
Debtors (includes £20,268,000 (2020: £20,462,000) due after more than one year)	16	249,423	340,479
Cash at bank and in hand		19,202	451
		<hr/>	<hr/>
		280,338	350,094
<b>Creditors: amounts falling due within one year</b>	17	(338,611)	(319,420)
		<hr/>	<hr/>
<b>Net current (liabilities) / assets</b>		(58,273)	30,674
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		501,519	657,604
<b>Creditors: amounts falling due after one year</b>	18	(204,483)	(266,277)
<b>Provisions for liabilities</b>	19	(35,306)	(34,057)
<b>Pensions and similar obligations</b>	23	-	-
		<hr/>	<hr/>
<b>Net assets</b>		261,730	357,270
		<hr/>	<hr/>
<b>Equity</b>			
Called up share capital	20	16,002	16,002
Share premium account		15,972	15,972
Other reserves		7,750	10,083
Retained earnings		222,006	315,213
		<hr/>	<hr/>
<b>Total shareholders' funds</b>		261,730	357,270
		<hr/>	<hr/>

The financial statements of Technip UK Limited on pages 15 to 54 were approved by the Board of Directors on 25 July 2022 and were signed on its behalf by:



H Urquhart  
Director

Registered number 00200086

# Technip UK Limited

## Statement of Changes in Equity for the year ended 31 December 2021

	Called Up Share Capital £000	Share Premium Account £000	Cash flow hedging Reserve £000	Share Based Payments Reserve £000	Retained Earnings £000	Total Sharehold ers' funds £000
<b>At 1 January 2020</b>	<b>16,002</b>	<b>15,972</b>	<b>820</b>	<b>5,973</b>	<b>335,923</b>	<b>374,690</b>
Loss for the financial year	-	-	-	-	(20,815)	(20,815)
Gain on defined benefit pension plan (note 23)	-	-	-	-	105	105
Other comprehensive income for the financial year	-	-	2,099	-	-	2,099
<b>Total comprehensive income for the year (note 24)</b>	<b>-</b>	<b>-</b>	<b>2,099</b>	<b>-</b>	<b>(20,710)</b>	<b>(18,611)</b>
Equity settled share based payment transactions (note 21)	-	-	-	1,191	-	1,191
<b>Transactions with owners recorded directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>955</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2020</b>	<b>16,002</b>	<b>15,972</b>	<b>2,919</b>	<b>7,164</b>	<b>315,213</b>	<b>357,270</b>
Loss for the financial year	-	-	-	-	(93,300)	(93,300)
Gain on defined benefit pension plan (note 23)	-	-	-	-	93	93
Other comprehensive expense for the financial year (note 24)	-	-	(2,829)	-	-	(2,829)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(2,829)</b>	<b>-</b>	<b>(93,207)</b>	<b>(96,036)</b>
Equity settled share-based payment transactions (note 21)	-	-	-	496	-	496
<b>At 31 December 2021</b>	<b>16,002</b>	<b>15,972</b>	<b>90</b>	<b>7,660</b>	<b>222,006</b>	<b>261,730</b>

# Technip UK Limited

## Notes to the financial statements for the year ended 31 December 2021

### 1 Nature of operations

Technip UK Limited ("TUK" or the "Company") is a UK domiciled and incorporated company, registered in England and Wales. The Company is a private limited company limited by shares. The address of its registered office is Hadrian House, Wincomblee Road, Newcastle Upon Tyne, NE6 3PL. The entity's principal activities are that of a fully integrated subsea contractor and supplier of subsea products.

### 2 Summary of significant accounting policies

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

#### 2.1 Basis of preparation

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

The Company is a qualifying entity for the purpose of FRS 101 which sets out a reduced framework for a "qualifying entity", as described in the Standard. The Standard addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of UK-adopted International Financial Reporting Standards (IFRS). Note 25 gives details of the Company's ultimate parent and from where consolidated financial statements prepared in accordance with IFRS may be obtained.

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

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

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

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

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

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

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

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### *Standards, Amendments and Interpretations Effective in 2021*

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

#### 2.2 Going concern

As required by IAS 1 "Presentation of Financial Statements" in determining the basis of preparation for the financial statements, we have considered the Company's business activities, together with the factors likely to affect its future development, performance and position in order to assess whether the Company may adopt the going concern basis in preparing its financial statements.

As part of our assessment of going concern we have modelled our projected cash flows under a base case and also severe but plausible downside scenarios, for a period of at least 12 months from the date of the financial statements. We also continue to actively monitor the on-going impact of the COVID-19 pandemic and the market volatility caused by the current geopolitical situation in Ukraine.

At the balance sheet date, the Company has net current liabilities of £58,273,000 (2020: net current assets of £30,674,000). In September 2021, the Company withdrew from using its cash pooling facility with TechnipFMC Cash BV and access to internal funds was replaced with a revolving credit facility with TechnipFMC USA Inc.

The directors have forecast the expected cash requirements for the next twelve months and the directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the Company's ultimate parent company, TechnipFMC plc.

The financial statements have been prepared under the going concern basis.

#### 2.3 Investments

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

#### 2.4 Tangible assets

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

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

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

Land & Buildings (Freehold buildings): 50 years (Land not depreciated)

Vessels: 10-25 years

ROVs & Equipment: 2-10 years

## 2 Summary of significant accounting policies (continued)

### 2.4 Tangible assets (continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.13.2).

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

### 2.5 Foreign currency

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

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

### 2.6 Leases

The Company leases various buildings, plant & equipment, vessels and vehicles. There is no typical rental period but it can range from less than 30 days to 12 years for vessels and up to 20 years for buildings.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of buildings, plant & equipment, vessels and vehicles were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.6 Leases (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 3.3.

#### 2.7 Interest receivable and interest payable

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

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

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.8 Financial instruments

The Company uses 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 the effective interest method, less any impairment losses.

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. If there is evidence of an increase in credit risk regarding a specific trade debtor, that debtor is removed from the "group" and expected credit loss is considered specifically for that receivable (see note 3.4). 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 Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

##### *Trade and other creditors*

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

##### *Interest-bearing borrowings*

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

##### *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.

##### 2.8.2 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).



## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.8 Financial instruments (continued)

##### 2.8.2 Derivative financial instruments and hedging (continued)

###### *Cash flow hedges*

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

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

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

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

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

###### *Fair value hedges*

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

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

##### 2.8.3 Classification of financial instruments issued by the Company

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

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

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Summary of significant accounting policies (continued)

#### *2.8 Financial instruments (continued)*

##### *2.8.3 Classification of financial instruments issued by the Company (continued)*

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

#### *2.9 Borrowing costs*

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

#### *2.10 Revenue recognition*

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

##### *2.10.1 Project revenue - revenue recognised over time*

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

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

**Payment terms** - Milestone payments and progress billings are generally issued upon completion of certain phases of the work as stipulated in the contract. Payment terms may either be fixed, lump-sum or driven by time and materials (i.e., daily or hourly rates, plus materials). Because typically the customer retains a small portion of the contract price until completion of the contract, our contracts generally result in revenue recognised in excess of billings which we present as contract assets on the statement of financial position. Amounts billed and due from our customers are classified as receivables on the statement of financial position.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.10 Revenue recognition (continued)

##### 2.10.1 Project revenue – revenue recognised over time (continued)

**Payment terms** (continued) - The portion of the payments retained by the customer until final contract settlement is not considered a significant financing component because the intent is to protect the customer. For some contracts, we may be entitled to receive an advance payment. We recognize a liability for these advance payments in excess of revenue recognized and present it as contract liabilities on the statement of financial position. The advance payment typically is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract and to protect us from the other party failing to adequately complete some or all of its obligations under the contract.

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

**Revenue recognised over time** - Our performance obligations are satisfied over time as work progresses or at a point in time when performance obligations are fulfilled and control transfers to the customer. We recognize revenue over time on contracts where the customer simultaneously receives and consumes the benefit, our performance creates an asset that the customer controls as the asset is created, or where our performance does not create an asset with an alternative use and we have an enforceable right to payment plus a reasonable profit for performance completed to date. Revenue from products and services transferred to customers over time accounted for approximately 52% of our revenue for the year ended 31 December 2021 (2020: 46%). 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. The cost-to-cost measure of progress for our contracts is generally used because it best depicts the transfer of control to the customer which occurs as we incur costs on our contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues, including estimated fees or profits, are recorded proportionally as costs are incurred. Any expected losses on construction-type contracts in progress are charged to earnings, in total, in the period the losses are identified.

**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.

#### **Right to invoice practical expedient**

The right-to-invoice practical expedient can be applied to a performance obligation satisfied over time if we have a right to invoice the customer for an amount that corresponds directly with the value transferred to the customer for our performance completed to date. When this practical expedient is used, we do not estimate variable consideration at the inception of the contract to determine the transaction price or for disclosure purposes. We have contracts which have payment terms dictated by daily or hourly rates where some contracts may have mixed pricing terms which include a fixed fee portion. For contracts in which we charge the customer a fixed rate based on the time or materials spent during the project that correspond to the value transferred to the customer, we recognize revenue in the amount to which we have the right to invoice.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.10 Revenue recognition (continued)

##### 2.10.2 Revenue from vessel services

Around 48% (2020: 46%) of the Company's revenue is generated from the provision of vessels, crew and equipment to other entities within the TechnipFMC plc group. The Company's contracts with these customers typically consist of intercompany contracts or purchase orders from the other TechnipFMC plc group companies. Revenue comprises the fair value of the consideration specified in the contract (typically a day rate for the vessel and associated services) and is stated net of sales taxes (such as VAT) and discounts. The Company recognises revenue when it transfers control of the service and in the same accounting period in which the services are rendered.

#### 2.11 Provisions

Provisions are recognised if and only if the following criteria are 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 released at the end of the warranty period except where claims are still outstanding.

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

#### 2.12 Inventories

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

#### 2.13 Impairment (excluding stocks and deferred tax assets)

##### 2.13.1 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.

For trade receivables and contract assets, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. 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. If there is evidence of an increase in credit risk regarding a specific trade debtor, that debtor is removed from the "group" and expected credit loss is considered specifically for that receivable (see note 3.4). 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 Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The Company has considered historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment to determine lifetime expected losses.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Summary of significant accounting policies (continued)

#### **2.13 Impairment (excluding stocks and deferred tax assets)**

##### **2.13.2 Non-financial assets**

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

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

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

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

#### **2.14 Current and deferred income tax**

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

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

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

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

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

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

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.15 Employee benefits

##### 2.15.1 Defined contribution plan

The Company operates a number of pension schemes, the principal of which is a defined contribution pension scheme for the benefit of employees. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and actually paid are shown as either accruals or prepayments in the balance sheet. The scheme funds are administered by trustees and are independent of the Company's finances. The Company also has obligations to an industry wide defined benefit pension scheme (MNOPF), see note 2.15.2 for further details.

##### 2.15.2 Defined benefit plan

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

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

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

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

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

Past service costs are recognised immediately in the income statement.

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

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

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

##### 2.15.3 Short-term benefits

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

#### 2.16 Share based payments

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

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 2 Summary of significant accounting policies (continued)

#### 2.16 Share based payments (continued)

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

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

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

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

#### 2.17 Intra-group financial instruments

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

#### 2.18 Dividends

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

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

### 3 Critical accounting estimates and judgements

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

#### 3.1 Revenue recognition – revenue recognised over time

Approximately 52% (2020: 46%) of our revenue is derived from long-term contracts that can span several years. 64% of our revenue derived from long-term contracts was recognised on projects that remained in progress as of the year end date and are therefore subject to estimation of total revenue and cost at completion. We account for revenue in accordance with IFRS 15 (Revenues from Contracts with Customers). The unit of account in IFRS 15 is a performance obligation. A contract's transaction price is allocated to each distinct performance obligation and recognised as revenue when, or as, the performance obligation is satisfied. Our performance obligations are satisfied over time as work progresses or at a point in time.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3 Critical accounting estimates and judgements (continued)

#### *3.1 Revenue recognition – revenue recognised over time (continued)*

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

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

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

The estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. Our estimates of variable consideration are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to us.

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

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

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

See Note 2.10.1 for a detailed description of revenue accounting policies thereon.

#### *3.2 Valuation of defined benefit pension plan*

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



## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3 Critical accounting estimates and judgements (continued)

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

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

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 23.

#### 3.3 Lease accounting

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an exercise and extension options, or not exercise a termination option. Extension options (or period after termination options) are only included in the lease term of the lease if the lease is reasonably certain to be extended (or not terminated).

Extension options exist for the Company's property and vessel lease. Most extension options in offices and vessel leases have not been included in the lease liability, because the Company could replace the assets without significant cost or business disruption.

As at 31 December 2021, potential future cash outflows of £7,989,000 (2020: 7,241,000) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

#### 3.4 Impairment of non-financial assets

Vessels, ROVs and equipment are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the non-financial assets may not be recoverable. The carrying amount of a non-financial asset is not recoverable if it exceeds the recoverable amount determined as the higher of an asset's fair value less costs of disposal and its value in use. If it is determined that an impairment loss has occurred, the loss is measured as the amount by which the carrying amount of the non-financial asset exceeds its recoverable amount. The determination of future value in use as well as the estimated fair value of non-financial assets involves significant estimates on the part of management. Because there usually is a lack of quoted market prices for non-financial assets, fair value of impaired assets is generally determined based on the present values of expected future cash flows using discount rates believed to be consistent with those used by principal market participants, or based on a multiple of operating cash flow validated with historical market transactions of similar assets where possible. To assess the fair value of our vessels we utilise external broker valuation reports.

The expected future cash flows used for impairment reviews and related fair value calculations are based on judgmental assessments of future productivity of the asset, operating costs, capital decisions and possible additional impacts from emerging risks such as those related to climate change and the transition to a lower carbon economy and pandemics. Oil and gas price assumptions have a significant impact on impairment assessments of non-financial assets and are inherently uncertain. Furthermore, the estimation of future oil and gas prices is subject to increased uncertainty, given climate change and the global energy transition. If future market conditions deteriorate beyond the current expectations and assumptions, impairments of non-financial assets may be identified if management concludes that the carrying amounts are no longer recoverable.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 3 Critical accounting estimates and judgements (continued)

#### 3.4 Impairment of non-financial assets (continued)

During the review for impairment, we considered whether climate change indicated the carrying amount of non-financial assets may not be recoverable. In relation to vessels, we have conducted an evaluation on the efforts needed to reduce Scope 1 emissions from fuel consumption and identified initiatives such as the upgrade of vessels and use of alternative fuel, in alignment with commercial and regulatory analysis. For all other property, plant and equipment, given the expected continued investment globally in the oil and gas sector over the near to medium term, the relatively short period over which these assets are depreciated and the adaptability of services that can be provided, we do not consider climate change to be a specific indicator of impairment.

In accordance with IFRS 9, trade receivables are initially recognised at transaction price where there is no significant financing component. After initial recognition, an expected credit loss is recognised. In measuring expected credit loss, financial assets with similar characteristics are grouped together and the expected credit loss is calculated based on the Company's historical default rate over the expected life of the trade receivables, adjusted for forward looking estimates. Trade receivables that don't meet the characteristics of the group are considered separately and expected credit loss is measured in a way that reflects:

- a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are calculated by: (a) identifying scenarios in which a loan or receivable defaults; (b) estimating the cash shortfall that would be incurred in each scenario if a default were to happen; (c) multiplying that loss by the probability of the default happening; and (d) summing the results of all such possible default events.

### 4 Revenue

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

	2021 £000	2020 £000
UK	217,443	193,950
Europe	212,770	122,463
Rest of the World	95,885	380,147
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	526,098	696,560
	<hr/>	<hr/>

Analysis of revenue by category is as follows:

	2021 £000	2020 £000
Project revenue (recognised over time)	274,216	317,886
Revenue from vessel services	251,882	378,674
	<hr/>	<hr/>
	526,098	696,560
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## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 4 Revenue (continued)

Assets and liabilities related to contracts with customers:

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

	2021 £000	2020 £000
Current contract assets - external	33,967	57,006
Current contract assets – amounts due from group undertakings	48,892	117,179
Contract Assets	82,859	174,185
Contract liabilities	(45,914)	(18,925)

#### (a) Significant changes in contract assets and liabilities

Contract assets have decreased from 2020 due to decreased project and vessel activity in the fourth quarter of 2021 compared to 2020 and timing of invoicing.

Contract liabilities have increased due to terms and conditions on certain new contracts allowing for greater milestone payments received in excess of contract progress.

#### (b) Revenue recognised in relation to contract liabilities

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

	2021 £000	2020 £000
Revenue recognised that was included in the contract liability balance at the beginning of the period	14,811	17,360

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 5 Operating loss

	2021 £000	2020 £000
<i>Operating loss is stated after charging/(crediting):</i>		
Depreciation	48,455	49,741
Other amounts written off tangible fixed assets -		
Impairment	-	430
Gain on disposal of fixed assets	(72)	(820)
Impairment of right of use assets	863	-
Impairment reversals on contract assets due from group undertakings	-	(36)
Impairment reversals / (losses) on amounts due from group undertakings	2,666	(7,467)
Impairment losses on trade receivables	(2,413)	-
Impairment of investments	-	14,000
Inventory recognised as an expense	26,199	26,038
Amortisation of right of use asset	30,661	54,688
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### 6 Auditors' remuneration

The remuneration of the auditors can be analysed as follows:	2021 £000	2020 £000
Audit of the financial statements	318	307
Other fees to auditors:		
Taxation compliance services	30	29
	<hr/>	<hr/>
	348	336
	<hr/>	<hr/>

The Company incurs audit fees on behalf of its UK subsidiaries and certain other related UK entities and does not re-charge the other companies for this cost.

### 7 Remuneration of directors

	2021 £000	2020 £000
Aggregate emoluments paid to directors	140	606
Employer contributions paid to money purchase pension schemes	21	53
	<hr/>	<hr/>
	161	659
	<hr/>	<hr/>

The emoluments of the highest paid director were £140,000 (2020: £482,000) and the Company paid £21,000 (2020: £nil) into their money purchase pension scheme.

One (2020: one) of the current directors was a member of the Company's defined contribution pension scheme in 2021.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 7 Remuneration of directors

The highest paid director of the Company did not exercise any share options in the year but had performance shares which vested in the year. In 2021 a total of 1,466 (2020: 4,335) performance shares vested at 10.67 dollars per share (2020: 14.84 dollars per share). A total of £12,230 (2020: £82,042) is included in the aggregate emoluments paid to directors.

### 8 Staff numbers and costs

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

	Number of Employees	
	2021	2020
Management & administration	152	166
Project management & operations	548	596
	<u>700</u>	<u>762</u>

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	44,616	50,640
Social security costs	5,269	6,129
Other pension costs	3,780	4,108
Share based payments (note 21)	496	1,191
	<u>54,161</u>	<u>62,068</u>

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

### 9 Interest receivable and similar income

	2021 £000	2020 £000
Receivable from group undertakings	1,200	2,330
Other interest receivable	-	135
Changes in derivative fair value, net *	-	2,784
Inefficient part of derivative instruments, net	47	-
	<u>1,247</u>	<u>5,249</u>

\* Includes swap points on derivative financial instruments

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 10 Interest payable and similar expenses

	2021 £000	2020 £000
Payable to group undertakings	950	1,476
Other interest payable	3,089	3,467
Net interest on defined benefit pension liability	1	2
Net foreign exchange losses	253	2,934
Changes in derivative fair value, net *	1,281	-
Inefficient part of derivative instruments, net	-	70
Lease liabilities	3,901	5,282
	<hr/>	<hr/>
	9,475	13,231
	<hr/>	<hr/>

\* Includes swap points on derivative financial instruments

### 11 Income tax expense

(a) Recognised in the income statement

The tax charge is made up as follows:

	2021 £000	2020 £000
Current tax:		
UK corporation tax on profits for the year	(18,635)	(3,257)
Adjustments in respect of prior years – Group Relief	(2,132)	9,747
Adjustments in respect of prior years – UK tax	13,013	(11,478)
	<hr/>	<hr/>
	(7,754)	(4,988)
Foreign tax current year	7,339	1,510
Adjustments in respect of prior years – foreign tax	24,158	22
	<hr/>	<hr/>
<b>Total current tax charge for year</b>	<b>23,743</b>	<b>(3,456)</b>
	<hr/>	<hr/>
Deferred tax:		
Origination and reversal of temporary differences	3,149	1,867
Adjustment in respect of prior years	(12,018)	6,740
Tax rate change impact	(2,384)	-
	<hr/>	<hr/>
<b>Total deferred tax</b>	<b>(11,253)</b>	<b>8,607</b>
	<hr/>	<hr/>
<b>Tax charge for year</b>	<b>(12,490)</b>	<b>5,151</b>
	<hr/>	<hr/>

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 11 Income tax expense (continued)

#### b) Recognised in other comprehensive income

	2021 £000	2020 £000
Deferred tax:		
Cash flow hedging	(663)	492
Re-measurement of defined benefit liability	31	24
	<hr/>	<hr/>
	632	516
	<hr/>	<hr/>

#### (c) Factors affecting current tax charge:

The tax assessed on the loss for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below:

	2021 £000	2020 £000
<b>Loss before taxation</b>	<b>(80,810)</b>	<b>(15,664)</b>
	<hr/>	<hr/>
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(15,356)	(2,976)
Effect of:		
Expenses not deductible for tax purposes	195	2,894
Income not taxable	-	(1,266)
Unrelieved foreign taxes	6,690	1,223
IFRS 16 lease amortisation	324	246
Impact of deferred tax rate change	(2,384)	-
Adjustments in respect of prior years	23,021	5,031
	<hr/>	<hr/>
<b>Total tax charge for year (note 11a)</b>	<b>12,490</b>	<b>5,151</b>
	<hr/>	<hr/>

The main rate of corporation tax was 19% for the calendar year (2020: 19%).

#### (d) Deferred tax

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

	2021 £000	2020 £000
Included in debtors (note 16)	7,479	1,413
Included in provisions for liabilities (note 19)	-	(5,818)
	<hr/>	<hr/>

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 11 Income tax (credit) / expense (continued)

#### (d) Deferred tax (continued)

Deferred tax has been recognised at the rate at which the timing differences are expected to reverse, 19% and 25% (2020:19%), reflecting the UK rate of corporation tax when the timing differences are expected to reverse.

In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. In March 2021, the Chancellor confirmed an increase in the main rate of corporation tax from 19% to 25% with effect from 1 April 2023.

### 12 Tangible assets

	Land & Buildings £000	Vessels £000	ROVs & Equipment £000	Total £000
<b>Cost</b>				
Balance at 1 January 2021	2,169	958,698	208,115	1,168,982
Additions	-	15,401	612	16,013
Disposals	-	(21,530)	(153)	(21,683)
Balance at 31 December 2021	2,169	952,569	208,574	1,163,312
<b>Accumulated depreciation</b>				
Balance at 1 January 2020	853	520,069	157,906	678,828
Depreciation charge for the year	243	40,171	8,041	48,455
Disposals	-	(21,530)	(153)	(21,683)
Balance at 31 December 2021	1,096	538,710	165,794	705,600
Net book amount at 31 December 2020	1,316	438,629	50,209	490,154
<b>Net book amount at 31 December 2021</b>	<b>1,073</b>	<b>413,859</b>	<b>42,780</b>	<b>457,712</b>

At the year end, triggering events were identified which led to an impairment assessment being performed over certain vessels by estimating its value in use. In estimating vessels value in use, the estimated future cash flows are discounted to their present value using a discount rate of 10.4% that reflects current market assessments of the time value of money and the risks specific to the asset. To calculate the future cash flows, we used estimates of economic and market assumptions, including growth rates in revenues, costs, estimates of future expected changes in operating margins, tax rates and cash expenditures. The future revenues are estimated based on the vessel working days and working day rate. An increase in the discount rate by 100 basis points did not result in an impairment. In estimating certain vessels' recoverable amounts, we obtained independent valuations, which represent the fair value less costs of disposal. We did not record any impairment of vessels during the year ended 31 December 2021.



## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 12 Tangible assets

There were no impairment triggers identified for buildings or ROVs and equipment during the year. In 2020, an impairment loss on ROVs and equipment of £430,000 was recognised. In estimating ROVs and equipment value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit). For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, an impairment loss is recognised. An impairment loss is recognised as an expense immediately in cost of sales as part of operating profit / (loss) in the income statement.

### 13 Leases

The Company has lease contracts for various offices, vessels, equipment and vehicles. The amounts recognised in the financial statements in relation to the leases are as follows:

#### (i) Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases:

	2021 £000	2020 £000
<b>Right-of-use assets</b>		
Buildings	26,149	25,848
Equipment	-	109
Vehicles	49	90
Vessels	71,388	106,223
	<hr/>	<hr/>
	97,586	132,270
	<hr/>	<hr/>
<b>Lease liabilities</b>		
Current	24,216	32,312
Non-current	79,625	106,547
	<hr/>	<hr/>
	103,841	138,859
	<hr/>	<hr/>

Additions to right-of-use assets in the year were £44,000 (2020: £471,000). In addition, a building lease extension has resulted in additions of £5,279,000.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 13 Leases

#### (ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	2021 £000	2020 £000
<b>Depreciation charge of right-of-use asset</b>		
Buildings	4,114	4,087
Equipment	-	131
Vehicles	199	100
Vessels	26,348	50,370
	<hr/>	<hr/>
	30,661	54,688
	<hr/>	<hr/>

In addition to the above, an impairment charge of £863,000 on a leased building was recognised in the year.

#### (ii) Amounts recognised in the income statement (continued)

	2021 £000	2020 £000
Interest expense (included in finance costs)	3,901	5,282
Expense relating to short term leases (included in cost of sales)	8,385	4,513
Expense relating to variable lease payments not included in lease liabilities (included in cost of sales)	-	1,543
	<hr/>	<hr/>
	12,286	11,338
	<hr/>	<hr/>

#### (iii) Future minimum lease payments as at 31 December 2021 are as follows:

	2021 £000	2020 £000
Not later than one year	26,976	35,620
Later than one year and not later than five years	45,807	66,043
Later than five years	46,462	56,733
	<hr/>	<hr/>
Total gross payments	119,245	158,396
Impact of finance expenses	(15,404)	(19,537)
	<hr/>	<hr/>
Carrying amount of liability	103,841	138,859
	<hr/>	<hr/>

# Technip UK Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 14 Investments

	£000
<b>Cost</b>	
At 1 January 2021	18,506
Disposals	(12)
	<hr/>
At 31 December 2021	<b>18,494</b>
<b>Provision for impairment</b>	
At 1 January 2021 and 31 December 2021	<b>(14,000)</b>
<b>Net book amount</b>	
At 31 December 2020	4,506
	<hr/>
At 31 December 2021	<b>4,494</b>
	<hr/>

Disposals in the year represent the liquidation of Technip Ships Norge AS. In 2020 a loan due from Forsys Subsea Limited (Forsys) for £14,000,000 was formally capitalised. Forsys entered liquidation on 21 December 2020 and the cost of investment was not supported by the future cash flows of Forsys and was therefore fully provided against. The directors believe the carrying value of the other investments is supported by the recoverable amount.

Details of direct subsidiary undertakings are as follows:

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

(i) Registered office - Hadrian House, Wincomblee Road, Newcastle Upon Tyne, NE6 3PL

(ii) Registered office - Callao 2910, Office 704 Las Condes, Santiago

(iii) Registered office - 2 Avenue of the Republic, Georgetown, Guyana

\* Forsys Subsea Limited entered formal liquidation on 21 December 2020

The company has no indirect holdings.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 15 Inventories

	2021 £000	2020 £000
Materials, spares and consumables	11,713	9,164

### 16 Debtors

	2021 £000	2020 £000
Trade debtors	31,228	32,775
Amounts owed by group undertakings	98,003	105,882
Other debtors	20,417	14,558
Corporation tax	-	1,419
Other financial assets (note 24)	574	3,506
Deferred tax asset (note 19)	7,479	1,413
Contract assets	33,967	57,006
Contract assets owed by group undertakings	48,892	117,179
Prepayments and accrued income	8,863	6,741
	<b>249,423</b>	<b>340,479</b>

Trade debtors are stated after provision for impairment of £7,884,000 (2020: £5,471,000). Contract assets owed by group undertakings are stated after provision for impairment of £nil (2020: £nil).

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

	2021 £000	2020 £000
Due within one year	77,735	78,101
Loans repayable on demand but expected after more than one year	-	-
Loans due within one year	-	7,319
Loans due after one year	20,268	20,462
Current account balances expected after more than one year	-	-
	<b>98,003</b>	<b>105,882</b>

Amounts owed by group undertakings and due within one year are repayable on demand, unsecured and interest free. Amounts due within one year are stated after provision for impairment of £12,030,000 (2020: £12,497,000).

Loans repayable on demand but expected after more than one year includes a loan to Technip Coflexip UK Holding Limited (TCUKHL) for £14,006,000 (2020: £14,006,000). Interest is payable on this loan at a fixed rate of 6.25% (2020: 6.25%) and full provision has been booked against this loan (2020: £14,006,000). The loan has no fixed repayment dates and is repayable on demand; but not expected to be repaid within one year.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 16 Debtors (continued)

During 2019, a loan of \$16,500,000 was provided to TechnipFMC Guyana Inc. Interest was payable at a variable rate based on LIBOR USD 1 year plus 0.5 per cent per annum. The LIBOR USD 1 year rate was fixed two days prior to funds being paid until 30 November 2019 and then yearly each 30 November. The first instalment of £5,097,000 (\$6,500,000) was paid 30 November 2020. The second and final instalment of £7,319,000 (\$10,000,000) was paid on 30 November 2021.

Also included in loans due after one year is a loan to French joint-stock company, owned by Credit Industrial et Commercial ("CIC") which was formed for the sole purpose to purchase and act as the lessor of the Deep Discoverer vessel to Technip UK. The original acquisition cost of the vessel was partly funded by Technip UK and provided to CIC in the form of a junior loan. The loan principal at date of drawdown was EUR 20,314,000 and interest is applied 6 monthly at a compounded rate of 5.77% per annum. The loan principal and compounded interest is due for repayment on 1 August 2031 and will amount to EUR 40,628,000. At 31 December 2021, the loan balance which includes principal and accrued interest was £20,268,000 (2020: £20,462,000).

Current account balances expected after more than one year are contractually repayable on demand, unsecured and interest free. The balance is stated net of a provision for impairment of £34,017,000 (2020: £36,216,000).

### 17 Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	17,606	19,048
Amounts owed to group undertakings	124,326	84,673
Other taxation and social security	1,851	1,671
Corporation tax	10,523	-
Other creditors	5,519	3,920
Bank loans	13,394	13,555
Contract liabilities	45,914	18,925
Accruals and deferred income	95,262	145,316
Lease liability (note 13)	24,216	32,312
	<b>338,611</b>	<b>319,420</b>

Amounts owed to group undertakings includes the current portion, £22,670,000 (2020: £22,912,000) of a loan payable to TechnipFMC plc (see note 18 for terms). Amounts owed to group undertakings also includes £1,517,000 (2020: £nil) due to TechnipFMC USA Inc under a new loan facility entered into in September 2021. This loan facility grants to the Company, the right to borrow from time to time various amounts of funding denominated in USD, GBP, NOK and EUR up to an aggregate principal amount not to exceed the notional equivalent of USD 50,000,000. Funding shall bear interest at a fixed rate of 3.75% per annum and shall be capitalized into the principal balance on the last day of each calendar month. As of the same date, the Company ceased its cash pooling arrangement with TechnipFMC Cash BV, a fellow group company, which acts as an internal bank for certain subsidiaries of the group. TechnipFMC Cash B.V. still operates as an internal bank for the Company for the settlement of hedging deals. At the year end, £23,837,000 is included within amounts owed to group undertaking relating to amounts due to TechnipFMC Cash B.V..

Other amounts owed to group undertakings are unsecured, interest free and have no fixed repayment dates.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 18 Creditors: amounts falling due after more than one year

Amounts falling due after more than one year	2021 £000	2020 £000
Amounts owed to group undertakings	44,800	67,200
Lease liability (note 13)	79,625	106,547
Bank loans	52,877	66,075
Other financial liabilities (note 24)	565	-
	<b>177,867</b>	<b>239,822</b>
Amounts falling due after more than five years	2021 £000	2020 £000
Bank loans	26,616	26,455
	<b>26,616</b>	<b>26,455</b>

In 2013 the Company entered into a long term loan with Technip SA (following a merger on 17 January 2017, became TechnipFMC plc) to finance the purchase of the Deep Energy vessel for an amount of £220,000,000. The loan was made available to the Company on 16 December 2013, for a duration of 5 years. The rate of interest at the date of agreement was a variable rate based on the GBP Libor rate + 0.5% per annum. In January 2014, the interest rate was fixed at 2.5% for the remaining duration of the loan. At 31 December 2018, the outstanding capital element of £112,000,000 was temporarily extended to 6 June 2019 on the same basis as the original loan. This loan was re-paid on 6 June 2019 and a new loan of £112,000,000 was entered into with TechnipFMC plc on the same day for a 5 year duration. The rate of interest is a variable rate based on the GBP Libor rate + 0.5% per annum. £22,400,000 was re-paid on 17 May 2021 and the next instalment of £22,400,000 is due on 17 May 2022 and is included in creditors falling due within one year. £44,800,000 is included in amounts falling due after more than one year. No re-measurement to amortised cost has been necessary as the rate of interest was equivalent to the market rate of interest at that time. No material impact to the interest rate is expected when LIBOR is replaced after 31 December 2022.

On 20 December 2016, the Company entered into a £160,000,000 loan facility for the purpose of financing the Deep Explorer, a diving support vessel (DSV) delivered in December 2016. The loan facility consists of a 12-year fixed rate term loan, redeemable in 24 semi-annual equal-principle instalments. The term loan was fully drawn down on 23 December 2016 and bears an annual fixed interest rate of 2.813%. The loan has been measured at amortised cost of £92,887,000 (2020: £106,085,000). The facility agreement contains customary representations and warranties, undertakings and default provisions. The facility agreement does not contain any financial covenant. The facility agreement has been arranged in a club-deal with two commercial banks (as lenders) with one of them acting as facility agent and security agent. The securities granted to the security agent for the benefit of the lenders, consist in a first priority mortgage on the Deep Explorer, and the dive-system equipment, a parent company guarantee from Technip Offshore International and an assignment of insurance policies related to the ship.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 19 Provisions for liabilities

	Provisions £000	Deferred tax £000	Total £000
At 1 January 2020	41,668	192	41,860
Charged/(credited) to income statement	5,014	5,134	10,148
Released unused	(14,560)	-	(14,560)
Utilised in the year	(3,883)	-	(3,883)
Credited to other comprehensive income	-	492	492
	<hr/>	<hr/>	<hr/>
At 31 December 2020	<b>28,239</b>	<b>5,818</b>	<b>34,057</b>
Charged/(credited) to income statement	14,587	(5,134)	9,453
Released unused	(6,124)	-	(6,124)
Utilised in year	(1,396)	-	(1,396)
Credited to other comprehensive income	-	(684)	(684)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	<b>35,306</b>	<b>-</b>	<b>35,306</b>

#### Provisions

Included in provisions is £23,604,000 (2020: £13,384,000) relating to estimated warranty claims arising on contracts. These provisions have a completion date ranging from January 2022 to March 2025. Also included in provisions is £11,604,000 (2020: £12,366,000) relating to specific tax claims. The timing of settlement relating to these claims is uncertain.

#### Deferred tax

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

	2021 £000	2020 £000
Deferred tax assets due within 12 months	(81)	(125)
Deferred tax assets due after more than 12 months	(7,398)	(1,493)
	<hr/>	<hr/>
<b>Total deferred tax asset (note 16)</b>	<b>(7,479)</b>	<b>(1,618)</b>
	<hr/>	<hr/>
Deferred tax liabilities due within 12 months	-	666
Deferred tax liabilities due after more than 12 months	-	5,152
	<hr/>	<hr/>
<b>Total deferred tax liability</b>	<b>-</b>	<b>5,818</b>

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 19 Provisions for liabilities (continued)

<b>Deferred Tax Asset</b>	<b>Defined benefit pensions £000</b>	<b>Derivatives £000</b>	<b>Derivatives OCI £000</b>	<b>ACA's £000</b>	<b>IFRS 16/Other £000</b>	<b>Total £000</b>
At 1 January 2020	-	(933)	-	(3,106)	(871)	(4,910)
Credited to income statement	(24)	185	-	3,106	206	3,268
Charged to OCI	24	-	-	-	-	24
At 31 December 2020	-	(748)	-	-	(665)	(1,413)
(Credited) / charged to income statement	(94)	18	-	(5,564)	(478)	(6,118)
Charged to OCI	31	-	21	-	-	52
<b>At 31 December 2021</b>	<b>(63)</b>	<b>(730)</b>	<b>21</b>	<b>(5,564)</b>	<b>(1,143)</b>	<b>(7,479)</b>
<b>Deferred Tax Liability</b>	<b>Defined benefit pensions £000</b>	<b>Derivatives £000</b>	<b>Derivatives OCI £000</b>	<b>ACA's £000</b>	<b>Other £000</b>	<b>Total £000</b>
At 1 January 2020	-	-	192	-	-	192
Credited to income statement	-	-	-	5,134	-	5,134
Charged to OCI	-	-	492	-	-	492
At 31 December 2020	-	-	684	5,134	-	5,818
Credited to income statement	-	-	-	(5,134)	-	(5,134)
Credited to OCI	-	-	(684)	-	-	(684)
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 20 Called up share capital

	2021 £000	2020 £000
Allotted and fully paid		
16,002,050 (2020: 16,002,050) ordinary shares of £1 each	<b>16,002</b>	16,002

### 21 Share option plans

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

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

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

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

The expense recognised for share based payments in respect of employee services during the year to 31 December 2021 was £496,000 (2020: £1,191,000) and the Company was recharged £nil by TechnipFMC plc (2020: £nil).

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

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 22 Commitments and contingencies

#### (i) Contingent Liabilities

At 31 December 2021, the Company had contingent liabilities amounting to £75,836,000 (2020: £80,849,000) in respect of performance bonds and other guarantees given in the normal course of business.

#### (ii) Capital commitments

At 31 December 2021 the Company had contracts for future capital expenditure of £nil (2020: £nil).

### 23 Pensions and similar obligations

#### *Defined Contribution Scheme*

The Company operates a number of pension schemes of which the principal scheme for current employees is a defined contribution pension scheme. The scheme funds are administered by trustees and are independent of the Company's finances. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £3,780,000 (2020: £4,108,000). The pension contributions outstanding at the balance sheet date are £540,000 (2020: £534,000).

#### *Industry Scheme*

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

The scheme is divided into two sections, the Old section and the New section (post 1978) both of which are closed to new members. Full actuarial valuations are carried out triennially with the last valuation performed on 31 March 2018.

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

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

The value of the plan's assets in the scheme exceeds the value of the obligation as at 31 December 2021 resulting in a theoretical surplus. This surplus has been assumed to be irrecoverable on the basis of information provided by the MNOFF's trustees.

At the end of 2015 the only remaining company member left the scheme and therefore no contributions were paid to the scheme during this financial year (2020: £nil). When the last member left the scheme, a Section 75 debt was triggered and the Company paid a cash contribution of £593,000 in 2016.

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 23 Pensions and similar obligations (continued)

The risks of the scheme are as follows:

#### (a) Asset volatility

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

#### (b) Investment returns

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

#### (c) Life expectancy

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

#### (d) Inflation risk

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

*Reconciliation of scheme assets and liabilities:*

	<b>Assets</b>	<b>Liabilities</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 January 2021</b>	<b>68,389</b>	<b>(68,389)</b>	<b>-</b>
Past service cost – plan amendments	-	-	-
Interest income / (expense)	1,066	(1,002)	64
Administration costs and taxes	-	(123)	(123)
Re-measurement gains / (losses)	(1,379)	2,498	1,119
Disbursements	(3,663)	3,663	-
Change in irrecoverable surplus	(995)	-	(995)
Interest cost on irrecoverable surplus	(65)	-	(65)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>63,353</b>	<b>(63,353)</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 23 Pensions and similar obligations (continued)

#### *Actuarial assumptions:*

	<b>2021</b>	<b>2020</b>
Discount rate	<b>1.90%</b>	1.50%
Salary growth rate	<b>n/a</b>	n/a
Price inflation	<b>3.60%</b>	2.90%
Pension growth rate (in-payment)	<b>3.23%</b>	2.76%
Pension growth rate (in deferment)	<b>2.90%</b>	2.20%

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

	<b>2021</b>	<b>2020</b>
Discount rate	<b>12.0%</b>	12.1%
Salary growth rate (see note 1 below)	<b>n/a</b>	n/a
Price inflation	<b>3.7%</b>	2.8%
Pension growth rate (in-payment)	<b>4.3%</b>	3.3%
Pension growth rate (in deferment)	<b>0.6%</b>	0.6%

Note 1 - No active members since 2014 (2014: 1 active member)

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

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

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 23 Pensions and similar obligations (continued)

#### *Reconciliation of scheme assets and liabilities:*

	<b>2021</b>	<b>2020</b>
	<b>Years</b>	<b>Years</b>
Longevity at age 61 for current pensioners		
- Men	<b>25.7</b>	25.6
- Women	<b>27.9</b>	27.8
Longevity at age 61 for future pensioners		
- Men	<b>27.4</b>	27.3
- Women	<b>29.6</b>	29.5

#### *Total cost recognised as an expense:*

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Past service cost – plan amendments	-	-
Administration costs and taxes	<b>(123)</b>	(128)
Interest income	<b>64</b>	111
Interest cost on irrecoverable surplus	<b>(65)</b>	(112)
	<hr/>	<hr/>
Cost recognised in P&L	<b>(124)</b>	(129)
	<hr/>	<hr/>

#### *The fair value of the plan assets was:*

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Equity instruments	<b>4,814</b>	6,547
Bonds	<b>19,256</b>	13,822
Buy-in contract	<b>37,825</b>	40,739
Other	<b>6,877</b>	11,640
Irrecoverable surplus	<b>(5,419)</b>	(4,359)
	<hr/>	<hr/>
	<b>63,353</b>	68,389
	<hr/>	<hr/>

#### *The return on the plan assets was:*

	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Interest income	<b>1,067</b>	1,369
Re-measurements	<b>(1,379)</b>	5,079
	<hr/>	<hr/>
Total return on plan assets	<b>(312)</b>	6,448
	<hr/>	<hr/>

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 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 that utilise observable inputs. The key assumptions used in valuing the derivatives are the exchange rates for GBP: USD, GBP: EUR, GBP: NOK.

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

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

#### Financial liabilities

	2021 £000	2020 £000
<b>Amounts falling due after more than one year</b>		
Forward foreign exchange contracts – cash flow hedges	565	-
	<hr/>	<hr/>

#### Financial assets

	2021 £000	2020 £000
<b>Amounts falling due within one year</b>		
Forward foreign exchange contracts – cash flow hedges	574	2,820
	<hr/>	<hr/>
<b>Amounts falling due after more than one year</b>		
Forward foreign exchange contracts – cash flow hedges	-	686
	<hr/>	<hr/>

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 24 Derivative financial instruments (continued)

*Reconciliation of movements in financial instruments:*

	Cash flow hedging reserve £000	Derivative financial (liabilities) / assets £000
At 1 January 2021	2,919	(3,506)
Total gains or losses		
- In profit or loss – finance income		1,234
- In other comprehensive income	(2,263)	2,263
- In other comprehensive income (deferred tax)	430	-
- In other comprehensive income	(1,230)	-
- In other comprehensive income (deferred tax)	234	-
	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>90</b>	<b>9</b>
	<hr/>	<hr/>

### 25 Ultimate parent undertaking

The Company's immediate parent undertaking is TechnipFMC International Holdings BV, a company incorporated in the Netherlands.

The ultimate parent undertaking and controlling entity is TechnipFMC plc, a company incorporated in the United Kingdom. The consolidated financial statements of TechnipFMC can be found on the TechnipFMC website ([investors.technipfmc.com](http://investors.technipfmc.com)). TechnipFMC plc is the only company to consolidate the results of Technip UK Limited.

On 16 February 2021, TechnipFMC plc completed its separation into two independent, publicly traded companies, TechnipFMC plc and Technip Energies with the latter beginning trading on compartment A of Euronext's regulated market in Paris. TechnipFMC plc remains the ultimate parent undertaking and controlling entity of the Company.

### 26 Subsequent events

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with Russia's invasion of Ukraine. The war between the two countries continues to evolve and the directors are constantly monitoring the situation. As at the date of signing these financial statements, the war is not having any material financial impact on the Company. Although the situation is evolving and the future direction of the war is unpredictable, the directors also do not anticipate any material financial impact on the Company in the foreseeable future.

On 1 May 2022, the Energean Power FPSO tow line commenced and sea voyage to Israel began. Following this, further activity progressed in-field.