

**Team Industrial Services (UK)
Limited**

Annual Report and Financial Statements

Year Ended

31 December 2021

Company Number 00238721

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Team Industrial Services (UK) Limited

Company Information

Directors	A C Bouchard M E Acosta S Desborough
Company secretary	R Dixon
Registered number	00238721
Registered office	Furman House Shap Road Kendal Cumbria LA9 6RU
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT
Bankers	National Westminster Bank Plc 10 Elephant Yard Kendal Cumbria LA9 4LZ
Solicitors	SHK Solicitors Wood Lea Westoby Lane Barrow upon Humber North Lincs DN19 7DJ

Team Industrial Services (UK) Limited

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Team Industrial Services (UK) Limited

Strategic Report For the Year Ended 31 December 2021

The directors present the Strategic Report together with the audited financial statements for the year ended 31 December 2021.

Principal activities

The principal activities of the Company are that of repair of leak sealing and repair services to pipes, tank vessels and other structure.

Business review

2021 saw an increase in turnover, the overall increase in revenues being 6.8% compared to prior year. The company experienced a 4.4% increase in revenues from the UK mainland, driven by the partial recovery from the impacts of COVID. We have experienced a decrease in revenue generated from European countries of 50.2%, being £1.14M in monetary terms. This decrease is driven by a reduction in our intercompany revenue, a business decision to improve TEAM Europe companies' ability to manufacture their own products in response to Brexit. The impact of this decrease was mitigated by a 26.2% increase in third party revenue achieved from our International and Middle East regions. We successfully improved our product sales in these regions and removal of COVID travel restriction has allowed us to deliver service work using all technicians, rather than only locally based in our International and Middle East regions as in 2020.

The gross profit margin result is moved from 23.2% to 27.07% being an increase of 3.87%, demonstrating not only the ability to control cost of sales during the growth period but also returning a % improvement. The company has increased administrative expenses during the period, relative to the growth in revenue. Despite the controlled increase in administrative cost and the reduction in 2021 of government funding support received of £0.8 million, operating profit margin delivered has moved from 11.7% prior year to 12.6% for 2021, an improvement of 0.9%.

Principal risks and uncertainties

Market Conditions: Risk – demand for services continue to decline due to ongoing low oil prices.

Mitigation – introduction of new services in 2021 to offset any reductions in existing services and continuous monitoring of customer requirements.

Project Delivery: Risk - projects are delivered utilising highly engineered solutions in what can be uncertain environmental conditions & often in remote locations. Poor project delivery can result in a negative financial impact and potential loss of customers.

Mitigation - employment of industry leading engineering resources together with extensive equipment testing facilities minimise the risk of onsite issues.

Financial risk management

Interest rate risk - bank borrowings are negotiated by the ultimate parent Company on a Group basis and provide for long term interest rate stability.

Foreign currency risk - the Company, on occasion, has revenue receipts in foreign currencies. Risk to exchange rate fluctuations is minimised by utilising these funds in payment of outstanding liabilities in these currencies.

Credit risk - to manage credit risk, management set credit limits based on a combination of third-party credit references & payment history. Debt ageing is reviewed on a regular basis by management. The customer base is comprised primarily of large national & international organisations.

Product obsolescence - regular management reviews ensure that potential slow-moving inventory items are identified in a timely manner & actions taken to address any known issues.

Team Industrial Services (UK) Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Financial key performance indicators

The company measures and monitors the following on an ongoing, regular basis:

Profit & Loss Accounts - all operating & support functions are reported on an individual basis and actual performance is measured against agreed budget expectations & prior year performance.

Working Capital – all unbilled revenues, trade receivables and inventory holdings are measured against agreed expectations & prior year.

Project Delivery - detailed costs are collated for every job to ensure that actual performance is in line with the expected contribution margins.

Business Plans - longer term business plans are prepared by geographical area and by service line and reviewed on a regular basis to ensure expectations are being met.

Other key performance indicators

The company measures and monitors the following on an ongoing, regular basis:

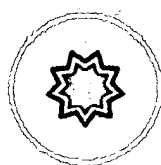
Safety – monthly tracking against targets of TRIR score, driver safety average score, site and workshop safe visits, reported safety observations.

Employee engagement – monthly tracking against targets of staff turnover rate, absenteeism and staff retention rate.

Commercial – weekly tracking of conversion rates for enquiries against targets by quantity and value.

Directors' statement of compliance with duty to promote the success of the Company

The following disclosure describes how the directors have had regard to the matters set out in section 172(1)(a)-(f) and forms the directors statement required under section 414CZA of the Companies Act 2006. TEAM's Core Values anchor every aspect of our business in a set of commonly held beliefs and commitments. They represent what our company stands for, what values our employees embody, and what our services and products contribute to the market. These statements are deeply ingrained in our culture, guiding employee behaviour and company decisions and actions.



**Safety First/
Quality Always**
In everything we do



Integrity
Uncompromising
standards of integrity
and ethical conduct



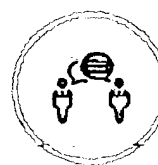
Service Leadership
Leading service quality,
professionalism and
responsiveness



Innovation
Supports continuous
growth and improvement



Pride and Respect
For our clients, for each
other and for all of
our stakeholders



Teamwork
Global teamwork and
collaboration

Team Industrial Services (UK) Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Directors' statement of compliance with duty to promote the success of the Company (continued)

Environmental Awareness

During 2021 the remaining 3 facilities were assessed and passed their ISO 14001:2015 standard for environmental management by LR (Lloyds Registered). This is a significant improvement and means that all of TEAM's 8 UK facilities are now covered by this standard.

TEAM like many companies has continued to embrace the online meeting, as have our customers, meaning that significant mileage and therefore CO2 has been reduced by continuing remote meetings. Whilst more "in person," meetings have started to return, after the pandemic, the company is still promoting remote meetings wherever this is suitable as the benefits to the environment are clear.

During 2021 TEAM has continued to invest in lower voltage lighting, in the form of LED lighting in our Carlisle Manufacturing Facility, which has shown both improvements in working light conditions but also reduced usage of electricity considerably. Furthermore, great improvements have been made to the segregation of waste streams in Carlisle too which was recognised during the 14001 audits at that facility. The company continues to look at ways that they can reduce energy use and reduce waste and these areas are focused on in our Environmental Audits throughout the year.

Safety, Quality and Training

Online Training

Accelerated by our response to the COVID-19 pandemic, we have several online training and distance learning classes to our curriculum to help meet the needs of a rapidly changing workplace environment. These are administered and tracked globally through our Learning Management System.

We also continued during 2021, and throughout 2022, 'STAMP' TEAM's Stress and Anxiety Management Program that included several tools and resources to help employees effectively manage stress and prevent depression and other mental illnesses. This program included several sessions focused on mindfulness and we coordinated this program with our Employee Assistance Program that offered mental health and depression resources for our employees and their families. This program has received much praise and support from our employees, their families and our clients.

As we navigated through the impact of the COVID-19 pandemic, we proactively introduced more flexibility in our work environment by offering eligible employees the ability to work remotely or on-site, flexible working schedules, and restricting in person meetings. All of these measures were driven by the safety and health of our employees, their family members, clients and other contractors at the forefront and have remained in place post pandemic.

12 Life Saving Rules

In 2019, we introduced our "12 Life Saving Rules" across the organisation to further enhance the safety focused culture of TEAM. The 12 Life Saving Rules are clear and simple rules designed to address those activities that put our employees at the greatest risk. The rules include both encouraged behaviours as well as discouraged behaviours. All TEAM employees continue to receive periodic online training during 2022 on the rules and must acknowledge that they have read them. It is also included within the onboarding of new TEAM employees. The rules are posted internally, communicated with posters, infographics and through our safety bulletins.

Team Industrial Services (UK) Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Directors' statement of compliance with duty to promote the success of the Company (continued)

Driving Safety

As one of our top priorities at TEAM, we continue to emphasize the driving safety of our employees through the Smith System® Driving Training Courses and our internal journey management practices. In 2019, we installed approx. 150 Geotab devices into the vehicles of our fleet. The Geotab devices allow us to track maintenance needs, location, and operational incidents, such as accidents of our vehicles, and to monitor, on a real-time basis, compliance with vehicle safety requirements by our employees as they collectively log more than 2.5 million business miles per year. The Geotab system, enables us to monitor and enforce speed limits on a real-time basis. Since the deployment of the Geotab system in the first quarter of 2019, the number of speeding events recorded by our Geotab system were reduced by over 70% globally. The reduction in speeding events has significantly lowered the overall risk of an accident, helping make certain that all our TEAM employees will return home safely at the end of each day. Since initial installation date, Geotab devices continue to be fitted as standard to any new vehicles and data is monitored on a regular basis, as mentioned in our key performance indicators.

Team recognise that a large part of its environmental affect in terms of energy usage and greenhouse gas release is via the operation of its fleet of vehicles. This course is designed to make drivers both safer and more efficient drivers. That combined with the introduction of Geotab in all company vehicles which provides driving analytics and weekly reports to aid a shift in driving style to a more efficient and safer way is expected to deliver considerable reductions in CO2 per driven mile.

Travel Security

TEAM conducts business international and we are committed to ensuring that our employees remain safe while travelling. To supplement our risk management procedures around international travel, in 2019, we partnered with International SOS to ensure our employees have the right resources to mitigate travel risks. We have continued to maintain this relationship, through our partnership our employees have access to a suite of travel risk mitigation tools that include an assistance application for mobile devices, a member portal that provides country and city guides, electronic access to the employees International SOS membership card, updates on local health threats and email alerts. Additionally, our employees have access to the International SOS eLearning modules that reinforce travel risk awareness, safe travel practices and the tools available to control risks.

Assess Prior to travel - our employees receive an automatic pre-trip advisory that provides current destination information including medical care quality and access, vaccinations recommended or required, crime risks.

Advise While travelling – our employees receive automatic alerts applicable to their current location and advice to mitigate the potential risk (e.g. local safety alerts, weather advisories such as storm risks, road closures, recommended actions, approved hospital). The automated alerts are provided through the online portal and the mobile app.

Assist While travelling – our employees have access 24/7 to security experts and International SOS Doctors and nurses to assist in an emergency (e.g. medical accidents, medical conditions, crime victim). Additionally, the International SOS tools enable our managers to locate our travelling employees and communicate important safety alerts and provide incident support during their travel.

Team Industrial Services (UK) Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Directors' statement of compliance with duty to promote the success of the Company (continued)

Employee Engagement

In 2019, our employees, on a global basis, participated in our annual engagement survey conducted by Willis Towers Watson, providing us with valuable insight as we seek to improve our overall employee engagement and satisfaction. Through our engagement efforts, we achieved an 86% response rate compared to the average response rate of 83% for comparable industries. The response rate is indicative of high sustainable engagement which, as defined by Willis Towers Watson, measures "the intensity of employee's connection to their organization, marked by committed effort to achieve goals (being engaged) in environments that support productivity (being enabled) and maintain personal well-being (being energized)."

As a company we aim to conduct this form of global engagement survey every 2 to 3 years.

Technicians focus group

Our technicians are the foundation of our company and as part of our engagement efforts, we regularly engage our technicians to maintain an open dialogue on current pressing issues and opportunities for improvement. Additionally, the technicians are integral to our testing of our ongoing new technology developments. In Q3 2021 A focus group consisting of 4 technicians to trial IT equipment was started with the aim of trialing 4 Different IT devices. In response to this TEAM has commenced the roll out plan of the best device in 2022, which will improve communication and quality of information provided by our Technicians supporting the digital future.

We continue with the following activities (a) enhanced communications, including townhalls, roadshows, and quarterly safety meetings, (b) employee referral program, and (c) enhanced our leadership development program with an eye toward training both the technicians as well as the business division leaders.

Apprentice Program

The TEAM Apprentice Program has been in place within the UK business since September 2000. Through the Apprenticeship Program, our workshop apprentices receive entry-level training and gain experience and insight into various disciplines by spending time in the workshops across the UK. The program has included more than 65 participants with 60 having completed the program and 30 that moved into permanent technician and management roles within the organisation. During Q3 of 2023 it is planned for approximately 6-8 more apprentices have started the business, which will involve a 4-year programme consisting of workshop rotations, onsite training, organisational training and exposure within the field with a focus on a specific service line and buddied up with an experienced technician.

Business relationships

TEAM is committed to acting ethically and with integrity in all business dealings and relationships. Fostering business relationships with key stakeholders, customers and suppliers is important to the Company's success. Many customers and suppliers have been aligned with the business for many years with, in the case of suppliers, access to at least two suppliers for our major materials.

The Board looks to implement and enforce effective systems and controls to ensure its supply chains are maintaining the highest standard of business conduct in line with best practice including in relation to anti-bribery and modern slavery. The employee handbook is regularly updated with all up to date relevant information and personnel have been advised, and in some instances, trained accordingly as and when new legislation or Governmental advice is issued.

Team Industrial Services (UK) Limited

Strategic Report (continued) For the Year Ended 31 December 2021

Future developments

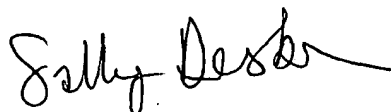
Throughout 2022, the company has invested in progressing its manufacturing capabilities locally to ensure that it continues to satisfy its clients' needs in the most responsive manner. Additionally, application developments have been made in the SILK portable machine tools and a dedicated website has been launched to promote the product range. The company has also continued to invest in: i) adding new equipment for the provision of its services; ii) training its field service technicians in multiple service lines; and iii) recruiting more field service technicians to optimise the opportunities available for revenue growth and to maximise utilisation and minimise the indirect cost base.

The industry outlook for 2023 is favourable with a myriad of turnarounds planned across the UK and the international market presenting numerous capital project opportunities. A refresh of the sales structure will facilitate strategic sales planning and marketing capabilities to networks outside of the UK norms as well as converging overseas territories with more agent representation. This rejuvenation will foster higher level engagement with clients in parallel with driving sales through professional and dynamic marketing channels.

This report was approved by the board on

20/02/2023

and signed on its behalf.



S Desborough
Director

Team Industrial Services (UK) Limited

Directors' Report For the Year Ended 31 December 2021

The directors present their report together with the audited financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £1,777,000 (2020 - £1,981,000).

The directors do not recommend the payment of a dividend (2020 - £Nil).

Directors

The directors who served during the year were:

J A Jarvis (resigned 1 April 2022)

A C Bouchard

M E Acosta (appointed 7 December 2021)

S M Ball (resigned 7 December 2021)

One director was appointed after the year end:

S Desborough (appointed 1 April 2022)

Going concern

Covid-19 became an area of focus in March 2020, and the company experienced a noticeable impact on business activity due to local and national restrictions. 2021 activity has increased by 7.2% compared to 2020, although not recovered fully to pre-COVID level, re-growth is in progress and is currently expected to do so going into 2023. The board continue to take actions to manage cash flows closely and to seek other revenue sources to ensure that the business can manage through any impacts that it may face during the ongoing period of re-growth.

The Directors are required to prepare these financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. This assessment has been carried out on the cash flows of Team Inc. group of companies, which the company is a member of, as cash is managed by a centralised treasury function who ensure all parts of the UK Group have sufficient cash to meet their immediate needs. As part of the arrangement, the Group has issued a letter of support for a period of twelve months from the date of approval of these financial statements to the company which includes both making funds available if required and not to seek repayment of amounts due at the balance sheet date if this would be detrimental to the company.

Further, the board are managing cash flows and implementing other mitigating actions to ensure that the business can manage through any impacts that it may face. In the worst-case scenario, the forecast requires the use of existing borrowing facilities. For planning purposes, the company frequently updates its view on likely trading patterns, incorporating latest intelligence on demand, cost reduction actions and reduced capital expenditure. Importantly these realistic scenarios provide good headroom against the worst-case scenario. At the time of writing this report the company is trading ahead of the most severe forecasts at both the sales and profit level. Nevertheless, there remains a risk that the impact of Covid-19 and the required re-growth could be more significant than presented in the company's severe case. If there is a more significant downturn, there are further mitigating actions that could be enacted, these could include but are not limited to reductions in capital expenditure, business expenditure and overheads.

The company believes that with the current business activity levels, support provided by Team Inc., the cost savings enacted and the potential for further savings, should the impact of Covid-19 be more significant than our most pessimistic current view, the company has sufficient headroom to continue to operate within available facilities. The board is satisfied it has sufficient cash resources to meet its obligations as they fall due throughout this duration and the board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Team Industrial Services (UK) Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Engagement with suppliers, customers and others

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, governments and national oil companies. TEAM seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter or remain in such relationships and this alongside other standards and controls, which are reviewed and approved by management periodically. The businesses continuously assess the priorities related to customers and those with whom we do business, and management engages with the businesses on these topics, for example, within the context of business strategy updates and possible investment proposals.

Moreover, the Directors receive information updates on a variety of topics that indicate and inform how these stakeholders have been engaged. These range from information provided from the Projects, Engineering, Operational, Sales and Commercial functions (related to items such as possible capital projects, ongoing project updates, customers, business strategies and supplier contract management topics).

Engagement with employees

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. All necessary assistance with initial training courses is given. Once employed, a career plan is developed to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Streamlined Energy and Carbon Reporting

The table below represents TEAM's energy use and associated greenhouse gas (GHG) emissions from electricity and fuel in the UK for the year ended 31st December 2021. The data covers 8 sites in the UK.

UK energy usage and Greenhouse gas emissions data for the period 1st January 2021 to 31st December 2021

	2021 kWh	2020 kWh
Energy consumption used to calculate emissions (kWh)		
Gas for heating	913,921	950,480
LPG for heating or propulsion	329,198	345,117
Transport (Company owned/leased vehicles)	2,306,520	2,967,611
Electricity	866,542	749,473
Total	4,416,181	5,012,681

Team Industrial Services (UK) Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Streamlined Energy and Carbon Reporting (continued)

	2021 Tonnes CO2e	2020 Tonnes CO2e
Gas for heating	168	175
LPG for heating or propulsion	81	85
Transport (Company owned/leased vehicles)	546	714
Electricity	82	223
	<u>877</u>	<u>1,197</u>

Emission factors are based on Government published 2021 GHG conversion factors and utilising the fuel mix disclosures records from the electricity suppliers used by TEAM during the calendar year. Of note one of the suppliers, Sembcorp, disclosed figures are considerably higher than reality as our Wilton facility gets its electrical supply directly from the adjacent biomass generator operated by Sembcorp.

SECR Methodology Statement 2021

The SECR submission has been compiled using the 2019 HM Government Environmental Reporting Guidelines.

Sources for the data collation has been from:

- Energy and Fuel Data – Energy supplier billing data and electricity half hour data and invoices for LPG products used to heat some facilities; and
- Transport Data – Company mileage records.

CO2 emissions have been calculated using the 2021 UK Government Conversion Factors for Company Reporting and utilising the advertised energy mix ratios of the electricity suppliers used by TEAM.

Energy efficiency measures

During 2021 TEAM has continued to invest in lower voltage lighting, in the form of LED lighting in our Carlisle Manufacturing Facility, which has shown both improvements in working light conditions but also reduced usage of electricity considerably. The company continues to look at ways that they can reduce energy use and reduce waste and these areas are focused on in our Environmental Audits throughout the year. During 2021 we also transferred all sites to an alternative supplier achieving lower carbon emissions.

Emissions Ratio

2021 – 24.8 Tonnes of Carbon Dioxide per million pounds of Turnover (2020 - 36.16 Tonnes of Carbon Dioxide per million pounds of Turnover).

Matters covered in the Strategic Report

Disclosures required under 8416(4) of the Companies Act 2006 are commented upon in the Strategic Report as the directors consider them to be of strategic importance to the Company.

Team Industrial Services (UK) Limited

Directors' Report (continued) For the Year Ended 31 December 2021

Disclosure of Information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Events after the reporting period

There have been no significant events affecting the Company since the year end.

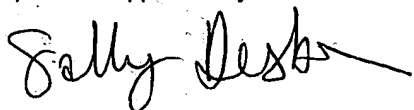
Auditor

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

This report was approved by the board on

20/02/2023

and signed on its behalf.



S Desborough
Director

Team Industrial Services (UK) Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2021

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping ^{8,801,20108}adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Team Industrial Services (UK) Limited

Independent Auditor's Report to the Members of Team Industrial Services (UK) Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Team Industrial Services (UK) Limited ("the Company") for the year ended 31 December 2021 which comprise statement of comprehensive income, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

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.

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

Team Industrial Services (UK) Limited

Independent Auditor's Report to the Members of Team Industrial Services (UK) Limited (continued)

Other information

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

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Responsibilities of Directors, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Team Industrial Services (UK) Limited

Independent Auditor's Report to the Members of Team Industrial Services (UK) Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

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 and accumulated knowledge of the company and the sector in which it operates we considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the company accounting policies, United Kingdom Accounting Standards, including Financial Reporting Standard 102 (United Kingdom Generally Accepted Accounting Practice) and the UK Companies Act 2006; those that relate to the payment of employees; and industry related such as compliance with health and safety legislation. All team members were briefed to ensure they were aware of any relevant regulations in relation to their work.

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 posting inappropriate journal entries, management bias in accounting estimates and improper revenue recognition associated with year end cut off. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the stock provision, provision for bad and doubtful debts and the defined benefit pension scheme liabilities;
- Revenue year end cut off;
- Identifying and testing journal entries, in particular any journal entries posted with specific keywords and manual journals to revenue;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Team Industrial Services (UK) Limited

Independent Auditor's Report to the Members of Team Industrial Services (UK) Limited (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Steven Roberts

49BDD0A55ETC14AD...
Steven Roberts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom
21 February 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Team Industrial Services (UK) Limited

Statement of Comprehensive Income For the Year Ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	4	35,441	33,177
Cost of sales		(25,846)	(25,465)
Gross profit		9,595	7,712
Administrative expenses		(5,321)	(4,826)
Other operating income	5	200	996
Operating profit	6	4,474	3,882
Interest receivable and similar income	10	242	165
Interest payable and similar expenses	11	(1,686)	(1,686)
Profit before tax		3,030	2,361
Tax on profit	12	(1,253)	(380)
Profit for the financial year		1,777	1,981
Other comprehensive income for the year			
Actuarial gains on defined benefit pension scheme		3,054	403
Movement of deferred tax relating to pension deficit		(537)	(101)
Other comprehensive income for the year		2,517	302
Total comprehensive income for the year		4,294	2,283

The notes on pages 20 to 40 form part of these financial statements.

Team Industrial Services (UK) Limited
Registered number:00238721

Statement of Financial Position
As at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Tangible fixed assets	13		4,833		5,900
Investments	14		120		120
			<u>4,953</u>		<u>6,020</u>
Current assets					
Stocks	15	2,708		2,938	
Debtors: amounts falling due after more than one year	16	-		735	
Debtors: amounts falling due within one year	16	43,261		41,081	
Cash at bank and in hand		859		1,031	
		<u>46,828</u>		<u>45,785</u>	
Current liabilities					
Creditors: amounts falling due within one year	17	(20,389)		(19,625)	
Net current assets			<u>26,439</u>		<u>26,160</u>
Total assets less current liabilities			<u>31,392</u>		<u>32,180</u>
Provisions for liabilities					
Deferred tax	18		(942)		-
Pension liability/asset	19		2,245		(3,779)
Net assets			<u><u>32,695</u></u>		<u><u>28,401</u></u>

Team Industrial Services (UK) Limited
Registered number:00238721

Statement of Financial Position (continued)
As at 31 December 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Capital and reserves					
Called up share capital	21		733		733
Share premium account	22		619		619
Revaluation reserve	22		282		296
Other reserves	22		3,086		3,086
Profit and loss account	22		27,975		23,667
Total equity			32,695		28,401

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

20/02/2023



S Desborough
Director

The notes on pages 20 to 40 form part of these financial statements.

Team Industrial Services (UK) Limited

Statement of Changes in Equity For the Year Ended 31 December 2021

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2021	733	619	296	3,086	23,667	28,401
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,777	1,777
Remeasurement of net pension liability, net of deferred tax	-	-	-	-	2,517	2,517
Total comprehensive income for the year	-	-	-	-	4,294	4,294
Revaluation reserve depreciation transfer	-	-	(14)	-	14	-
At 31 December 2021	733	619	282	3,086	27,975	32,695

Statement of Changes in Equity For the Year Ended 31 December 2020

	Called up share capital	Share premium account	Revaluation reserve	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2020	733	619	310	3,086	21,370	26,118
Comprehensive income for the year						
Profit for the year	-	-	-	-	1,981	1,981
Remeasurement of net pension liability, net of deferred tax	-	-	-	-	302	302
Other comprehensive income for the year	-	-	-	-	302	302
Total comprehensive income for the year	-	-	-	-	2,283	2,283
Revaluation reserve depreciation transfer	-	-	(14)	-	14	-
At 31 December 2020	733	619	296	3,086	23,667	28,401

The notes on pages 20 to 40 form part of these financial statements.

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

1. General information

Team Industrial Services (UK) Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the Company Information page and the nature of the Company's operations and its principal activities are that of repair of leak sealing and repair services to pipes, tank vessels and other structure.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The presentation currency is pounds sterling and all amounts in these financial statements have been rounded to the nearest thousand pounds.

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

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Team Inc. as at 31 December 2021 and these financial statements may be obtained from <http://investor.teaminc.com>.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of a state other than the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.4 Going concern

The directors have considered the current trading position of the business. Detailed assessments were undertaken of potential downside scenarios over the twelve month period from the date of signing these accounts and based on the outcomes of these scenarios the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Covid-19 became an area of focus in March 2020, and the company experienced a noticeable impact on business activity due to local and national restrictions. 2021 activity has increased by 7.2% compared to 2020, although not recovered fully to pre-COVID level, re-growth is in progress and is currently expected to do so going into 2023. The board continue to take actions to manage cash flows closely and to seek other revenue sources to ensure that the business can manage through any impacts that it may face during the ongoing period of re-growth.

The Directors are required to prepare these financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. This assessment has been carried out on the cash flows of Team Inc. group of companies, which the company is a member of, as cash is managed by a centralised treasury function who ensure all parts of the UK Group have sufficient cash to meet their immediate needs. As part of the arrangement, the Group has issued a letter of support for a period of twelve months from the date of approval of these financial statements to the company which includes both making funds available if required and not to seek repayment of amounts due at the balance sheet date if this would be detrimental to the company.

Further, the board are managing cash flows and implementing other mitigating actions to ensure that the business can manage through any impacts that it may face. In the worst-case scenario, the forecast requires the use of existing borrowing facilities. For planning purposes, the company frequently updates its view on likely trading patterns, incorporating latest intelligence on demand, cost reduction actions and reduced capital expenditure. Importantly these realistic scenarios provide good headroom against the worst-case scenario. At the time of writing this report the company is trading ahead of the most severe forecasts at both the sales and profit level. Nevertheless, there remains a risk that the impact of Covid-19 and the required re-growth could be more significant than presented in the company's severe case. If there is a more significant downturn, there are further mitigating actions that could be enacted, these could include but are not limited to reductions in capital expenditure, business expenditure and overheads.

The company believes that with the current business activity levels, support provided by Team Inc., the cost savings enacted and the potential for further savings, should the impact of Covid-19 be more significant than our most pessimistic current view, the company has sufficient headroom to continue to operate within available facilities. The board is satisfied it has sufficient cash resources to meet its obligations as they fall due throughout this duration and the board has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.5 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sales of goods and services in the ordinary nature of the business. Turnover is shown net of Value Added Tax, of goods and services provided to customers and, in case of contracts, credit is taken appropriate to the stage of completion when the outcome of the contract can be ascertained with reasonable certainty.

The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably revenue is recognised only to the extent of the expenses recognised that are recoverable.

2.6 Foreign currency translation

Transactions and balances

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

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

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

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

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.8 Pensions

Defined contribution scheme

The Company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the Statement of Comprehensive Income in the year they are payable.

Defined benefit scheme

The Company also operates a defined benefit scheme for certain employees.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the Statement of Comprehensive Income.

2.9 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in "other income" within profit or loss in the same period as the related expenditure. This includes the Government Coronavirus Job Retention Scheme ('Furlough'). The company has not directly benefited from any other forms of government assistance.

2.10 Interest income

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

2.11 Finance costs

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

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.13 Tangible fixed assets

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

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

Land is not depreciated. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- 20 to 50 years
Land and building leasehold	- 15 to 50 years
Plant and machinery	- 3 to 10 years

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

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

The part of the annual depreciation charge on revalued assets which relates to the revaluation surplus is transferred from the revaluation reserve to the Statement of Comprehensive Income.

2.14 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

2.15 Stock and work in progress

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Comprehensive Income.

2.16 Debtors

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

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

2. Accounting policies (continued)

2.17 Cash and cash equivalents

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

2.18 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

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

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

2.19 Creditors

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

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

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

In preparing these financial statements, the directors have had to make the following judgements:

Impairment

Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Bad debt provision

Determine whether there are indicators of a required provision against the trade debtors asset. Factors taken into consideration in reaching such a decision include professional judgement of expected future settlement of the debt and knowledge of communications received from the debtors.

Inventory provision

Determine whether there are indicators of a requirement of an inventory provision. Factors taken into consideration in reaching such a decision include the periodic professional assessment of slow moving inventory and judgement made for a reserve in anticipation of an inventory write off. Management also ensure periodic inventory reviews are conducted to identify specific write offs in relation to inventory has expired.

Other key sources of estimation uncertainty include:

Pensions

Actuarial assumptions are made in valuing future defined benefit pension obligations as set out in note 19 and are updated periodically. The principal assumptions related to the rate of inflation and the discount rate. The assumed rate of inflation affects the rate at which salaries grow and therefore the size of the pensions that employees receive on retirement. The discount rate is equal to the yield on high-quality corporate bonds that have a term to maturity approximating that of the related liability, and is potentially subject to significant variation. As a result, there is uncertainty that these assumptions will continue in the future. Whilst changes in other assumptions would have an impact, the effect would not be as significant.

Revenue

Revenue is recognised when the significant risks and rewards have transferred to the customer. The company recognises revenue in respect of the rendering of services over time. A stage of completion approach is used to measure progress towards completion of the performance obligation based on an estimate of the costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total anticipated costs. Where a service has only been partially provided at the year-end date, revenue represents the value of the services rendered to date based on stage of completion at the balance sheet date.

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

4. Turnover

	2021 £000	2020 £000
Rendering of services	33,272	30,256
Sale of goods	2,169	2,921
	<u>35,441</u>	<u>33,177</u>

Analysis of turnover by country of destination:

	2021 £000	2020 £000
United Kingdom	22,479	21,530
Rest of Europe	1,129	2,268
Rest of the world	11,833	9,379
	<u>35,441</u>	<u>33,177</u>

5. Other operating income

	2021 £000	2020 £000
Government grants receivable - furlough	<u>200</u>	<u>996</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation of tangible fixed assets	680	841
Loss/(gain) on disposal of tangible fixed assets	1	(28)
Other operating lease rentals:		
- Plant and machinery	478	1,645
- Other operating lease rentals	281	51
Exchange differences	90	(162)
Defined contribution pension cost	<u>802</u>	<u>469</u>

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

7. Auditor's remuneration

	2021 £000	2020 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	<u>37</u>	<u>34</u>

8. Employees

Staff costs, including directors' remuneration, including directors' remuneration, were as follows:

	2021 £000	2020 £000
Wages and salaries	13,157	14,786
Social security costs	1,055	1,389
Cost of defined contribution scheme	802	469
	<u>15,014</u>	<u>16,644</u>

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

	2021 No.	2020 No.
Sales	3	4
Administration	64	59
Operatives	186	202
	<u>253</u>	<u>265</u>

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

9. Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	203	199
Company contributions to defined contribution pension schemes	-	9
	<u>203</u>	<u>208</u>

During the year retirement benefits were accruing to no directors (2020 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £203,000 (2020 - credits totalling £199,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2020 - £9,000).

10. Interest receivable and similar income

	2021 £000	2020 £000
Other interest	<u>242</u>	<u>165</u>

11. Interest payable and similar expenses

	2021 £000	2020 £000
Royalty and management fee payable	1,656	1,574
Net finance cost in respect of defined benefit pension scheme (note 19)	30	112
	<u>1,686</u>	<u>1,686</u>

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Taxation

	2021 £000	2020 £000
Corporation tax		
Adjustments for prior years	-	(235)
Foreign tax on income for the year	585	199
Foreign tax in respect of prior periods	(17)	-
Total current tax	<u>568</u>	<u>(36)</u>
Deferred tax		
Origination and reversal of timing differences	1,135	568
Adjustment in relation to prior periods	(18)	44
Effect of tax rate change on opening balance	(432)	(196)
Total deferred tax	<u>685</u>	<u>416</u>
Taxation on profit	<u><u>1,253</u></u>	<u><u>380</u></u>

Factors affecting tax charge for the year

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

	2021 £000	2020 £000
Profit before tax	<u>3,030</u>	<u>2,361</u>
Profit multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	576	449
Effects of:		
Expenses not deductible for tax purposes	2	2
Fixed asset differences	29	53
Adjustments to tax charge in respect of previous periods	-	(117)
Amounts charged directly to OCI or otherwise transferred	580	56
Foreign tax movement	565	199
Adjustments to tax charge in respect of previous periods - deferred tax	(18)	44
Deferred tax credited directly to equity	(537)	101
Adjustments to deferred tax average rate	(31)	(252)
Group tax relief	186	114
Other differences	(99)	(269)
Total tax charge for the year	<u><u>1,253</u></u>	<u><u>380</u></u>

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

12. Taxation (continued)

Factors that may affect future tax charges

Increases in the UK Corporation tax rate from 19% to 25% (19% effective from 1 April 2017 and 25% effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly. The value of the deferred tax asset at the Statement of Financial Position date has been calculated using the applicable rate when the asset is expected to be realised.

13. Tangible fixed assets

	Freehold land and buildings £000	Leasehold land and buildings £000	Plant and machinery £000	Total £000
Cost				
At 1 January 2021	4,533	427	9,574	14,534
Additions	-	-	247	247
Disposals	-	-	(820)	(820)
At 31 December 2021	4,533	427	9,001	13,961
Depreciation				
At 1 January 2021	1,271	243	7,120	8,634
Charge for the year	145	-	535	680
Disposals	-	-	(186)	(186)
At 31 December 2021	1,416	243	7,469	9,128
Net book value				
At 31 December 2021	3,117	184	1,532	4,833
At 31 December 2020	3,262	184	2,454	5,900

The Company's freehold property was valued on 30 September 1990 by the directors, based on an independent valuation carried out at that date on an open market basis.

On transition to FRS 102 the Company elected to use previous UK GAAP valuations carried out before the date of transition as its deemed cost at the transition date.

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

13. Tangible fixed assets (continued)

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2021 £000	2020 £000
Cost	1,795	1,795
Accumulated depreciation	(945)	(910)
Net book value	850	885

14. Fixed asset investments

	Shares in subsidiary undertaking £000
Cost and net book value	
At 1 January 2021	120
At 31 December 2021	120

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Furmanite Middle East SPC	Specialist engineering	Ordinary	100%
Furmanite West Africa Limited	Specialist engineering	Ordinary	100%

The registered office address of the subsidiaries listed above is Building 90, Road 60, Block 604, Qarya, Kingdom of Bahrain and 13 Sumbo Jibowu Street, Ikoyi, Lagos, Nigeria, respectively.

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

15. Stocks

	2021 £000	2020 £000
Raw materials and consumables	1,916	1,950
Work in progress	380	507
Finished goods and goods for resale	412	481
	<u>2,708</u>	<u>2,938</u>

The carrying value of stocks are stated net of impairment losses totalling £159,000 (2020 - credits totalling £145,000). Impairment debits totalling £14,000 (2020 - credits totalling £33,000) were recognised in profit and loss during the year due to slow-moving and obsolete stock.

There is no material difference between the replacement cost of stock and the amounts disclosed above.

16. Debtors

	2021 £000	2020 £000
Due after more than one year		
Deferred tax asset	-	735
	<u>-</u>	<u>735</u>
Due within one year		
Trade debtors	4,690	7,703
Amounts owed by group undertakings	32,478	28,883
Prepayments and accrued income	5,021	3,878
Deferred taxation	1,072	617
	<u>43,261</u>	<u>41,081</u>

The impairment loss recognised in the company profit and loss for the year in respect of bad and doubtful trade debtors was £54,000 (2020 - £44,000).

Amounts owed by group undertakings are interest free and due on demand.

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

17. Creditors: amounts falling due within one year

	2021 £000	2020 £000
Trade creditors	1,356	1,736
Amounts owed to group undertakings	16,829	15,284
Other taxation and social security	873	1,342
Accruals and deferred income	1,331	1,263
	<u>20,389</u>	<u>19,625</u>

Amounts owed to group undertakings are interest free and due on demand.

18. Deferred taxation

	2021 £000	2020 £000
At beginning of year	1,352	1,667
Credited to profit or loss	(685)	(416)
Charged to other comprehensive income	(537)	101
At end of year	<u>130</u>	<u>1,352</u>

The deferred tax balance is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	(381)	(349)
Tax losses carried forward	1,072	966
Pension deficit	(561)	735
	<u>130</u>	<u>1,352</u>
Comprising:		
Asset - due after one year	-	735
Asset - due within one year	1,072	617
Liability	(942)	-
	<u>130</u>	<u>1,352</u>

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

19. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £473,665 (2020 - £469,000). Contributions totalling £96,822 (2020 - £124,000) were payable to the fund at the reporting date.

The Company operates a defined benefit pension scheme.

The Company sponsors the Pension and Life Assurance Plan of Furmanite International Limited, a funded defined benefit pension scheme in the UK. The Plan is set up on a tax relieved basis as a separate trust independent of the Company. The Trustees are responsible for ensuring that the correct benefits are paid, that the Plan is appropriately funded and that Plan assets are appropriately invested.

The Plan closed to future benefit accrual on 31 October 2013. On closure, the link to pensionable salary for active members ceased and all active members at that time became deferred members of the Plan. The Plan provides pensions and lump sums to members on retirement and to their dependants on death.

Since the closure of the Plan to benefit accrual on 31 October 2013, no employee contributions have been paid. The Company meets the ongoing funding costs of the Plan, as determined by regular actuarial valuations, which are usually carried out every three years. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Plan whereas the accounting assumptions must be best estimates.

Under the Schedule of Contributions agreed as part of the 2017 valuation, the Company agreed to make fixed monthly contributions into the Plan totalling £1.8m per annum over the period to 31 December 2019, and £3.0m per annum payable in fixed monthly contributions over the period 1 January 2020 to 31 December 2023.

A formal actuarial valuation is currently being carried out as at 1 November 2020. The preliminary results of that valuation have been projected to 31 December 2021 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

Reconciliation of present value of plan liabilities:

	2021 £000	2020 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	73,353	70,087
Interest cost	934	1,374
Actuarial gains	(3,087)	6,790
Benefits paid	(3,743)	(4,898)
At the end of the year	67,457	73,353

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

19. Pension commitments (continued)

Reconciliation of present value of plan assets:

	2021 £000	2020 £000
At the beginning of the year	69,574	63,017
Interest income	904	1,262
Actuarial gains	(33)	7,193
Contributions from employer	3,000	3,000
Benefits paid	(3,743)	(4,898)
At the end of the year	69,702	69,574

Composition of plan assets:

	2021 £000	2020 £000
Returns seeking	17,455	18,729
Bonds	50,462	39,416
Cash	1,785	11,429
Total plan assets	69,702	69,574

	2021 £000	2020 £000
Fair value of plan assets	69,702	69,574
Present value of plan liabilities	(67,457)	(73,353)
Net pension scheme liability	2,245	(3,779)

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

19. Pension commitments (continued)

The amounts recognised in comprehensive income are as follows:

	2021 £000	2020 £000
Net interest expense	30	112
Total recognised in profit or loss	30	112
Actual return on scheme assets	33	(7,193)
Actuarial (gains)/losses	(3,087)	6,790
Total recognised in other comprehensive income	(3,054)	(403)

The Company expects to contribute £3,000,000 to its defined benefit pension scheme in 2022.

Principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages):

	2021 %	2020 %
Discount rate	1.95	1.30
Revaluation of deferred pensions		1.90
Increase in pensions in payment accrued after 5 April 1997	3.30	2.85
Inflation assumption - RPI	3.40	2.90
Inflation assumption - CPI	2.40	1.90
Mortality rates		
- for a male aged 65 now	86.2	86.0
- at 65 for a male aged 45 now	87.2	86.7
- for a female aged 65 now	88.7	88.4
- at 65 for a female member aged 45 now	89.8	89.3

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

20. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £000	2020 £000
Not later than 1 year	460	616
Later than 1 year and not later than 5 years	452	596
Later than 5 years	1,058	1,081
	<u>1,970</u>	<u>2,293</u>

21. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
732,670 (2020 - 732,670) ordinary shares of £1.00 each	<u>733</u>	<u>733</u>

22. Reserves

The Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Revaluation reserve

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the Statement of Comprehensive Income.

Other reserves

In 2009 Team Industrial Services (UK) Limited (formerly TeamFurmanite Limited) received a capital contribution from the parent undertaking, Furmanite Limited. On 3 January 2017, a balance of £2,865,000 consisting of the principal plus accrued interest owed by a fellow subsidiary of the ultimate parent company Team, Inc was waived. In 2018 a balance of £61,000 consisting of the principal plus the accrued interest owed by a fellow subsidiary of the ultimate parent company Team, Inc was waived.

Profit and loss account

The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

Team Industrial Services (UK) Limited

Notes to the Financial Statements For the Year Ended 31 December 2021

23. Related party transactions

The Company has taken advantage of the exemption available in section 33.1A of FRS 102 not to disclose transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

24. Ultimate parent undertaking and controlling party

The Company is a wholly owned subsidiary of Furmanite 1986 Limited, a Company registered in England and Wales at Furman House, Shap Road, Kendal, Cumbria, England, LA9 6RU. Team, Inc, a Company incorporated in the USA, is the ultimate parent Company.

The Company's results are consolidated in the accounts of Team, Inc, and is the smallest and largest group for which consolidated accounts are prepared and publicly available. Copies of the Team, Inc accounts are available from the registered office at Team, Inc, 13131 Dairy Ashford, Suite 600, Sugar Land, TX 77478, United States of America or on their website at <http://investor.teaminc.com>.