

Serimax Limited

Annual report and financial statements

for the year ended 31 December 2022

Registered number: SC73616

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Serimax Limited

Annual report and financial statements for the year ended 31 December 2022

Officers and professional advisers

	Page
Officers and professional advisers	1
Strategic report	2
Director's report	4
Director's responsibilities statement	6
Independent auditor's report	7
Income statement	11
Balance sheet	12
Statement of changes in equity	13
Notes to the financial statements	14

Serimax Limited

Annual report and financial statements for the year ended 31 December 2022

Officers and professional advisers

Director

G Graindor

Company Secretary

Burness Paull LLP

Registered Office

16 Airfield Road
Evanton
Ross-shire
IV16 9XJ

Bankers

Barclays Bank plc
Aurora 1st Floor
120 Bothwell Street
Glasgow
G2 7JT

Solicitors

Burness Paull LLP
2 Marischal Square
Broad Street
Aberdeen
AB10 1DQ

Independent Auditor

Deloitte LLP
The Hanover Building
Corporation Street
Manchester
M4 4AH

Serimax Limited

Strategic report

The director, in preparing this strategic report, has complied with section 414C of the Companies Act 2006.

Principal activities and business review

The principal activity of the company is the provision of welding services in the construction of pipelines for the energy and utilities industries. The entity operates as part of the Vallourec SA group ("the Group"), a world leader in premium tubular solutions serving the Energy and Industry markets.

The Group's operations are managed on a divisional and regional basis. For this reason, key performance indicators for the company are not identified and presented in this report.

2022 was a challenging year for Serimax Limited "the company". The year started out with a positive growth outlook on backlog, revenue and profits, but then quickly turned into a more challenging environment. Revenue increased by £1.9m, margin on projects remained static, and the business was again loss making. The ongoing challenges faced; Covid 19 recovery, the green energy transition, UK inflation pressures and the Russian invasion of Ukraine are considerable. This has led to a highly volatile oil and gas market that continues to present a sustained challenge to deliver profitability in the model that the company had at the beginning of 2022.

As a result of these challenges, the company announced in December 2022 a review of the business model; the aim of this is to lower the fixed overhead cost base, focus on the specialism of the Company which is provision of highly skilled welders and equipment, and transition the company to being profitable in both the up and down cycles of the oil industry. Unfortunately, it led to 30 employees leaving the business in early 2023, with a further 8 due to leave prior to the end of 2023. However, the positive was the renewal of key customer contracts securing work for the company into 2023 and beyond.

Future developments

2023 promises to be a better year for the company. The new agreements with several customers will commence, which will help sustain the financial performance of the company, alongside the reduced overhead cost base, meaning the Company anticipates profitability of EBITDA and also to be a cash positive business.

2023 sees Serimax Limited continue to work at Evanton and Orkanger Spoolbases, as well as completing a fabrication project in Cyprus. We also expect to expand our operations in non-Oil and Gas utilities, primarily within the UK markets of water and nuclear. In addition the provision of our specialist welders and equipment worldwide will continue to be an area of growth for us.

Climate Change

In 2022 September, Vallourec's new management team strengthened its CSR governance by forming a CSR committee comprising all the members of the Executive Committee. Full details can be found within the Vallourec Group Annual 2022 Report chapter 4 pages 85-173.

One area to highlight is in 2022 Vallourec strengthened its commitment by launching the 'Climate Challenge' program, which defines the decarbonization roadmap for 2030-35-50 in order to actively contribute to a carbon-neutral world in 2050 by transforming the company's supply and production processes and diversifying the Group's commercial offering. Serimax as a subsidiary of Vallourec has commenced a team to support such work and ensure Serimax is ready to adapt and meet the requirements of the Climate Challenge.

Serimax Limited

Strategic report (continued)

Principal risks and uncertainties

The principal risk and uncertainties affecting the business include the following:

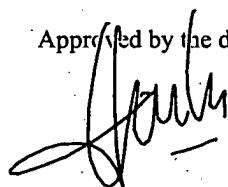
- **Supply/Demand:** The nature of the Oil and Gas market is inherently cyclical and the company monitors, on a regular basis, the order book forecast for the short and medium term requirements of the customers. The company seeks to balance the sales order with the seamless supply of appropriate personnel and equipment resources, ensuring that the operations have sufficient capacity and resources to meet the needs of customers.
- **Cash flow risk:** The company's activities expose it to the financial risks of changes in foreign currency exchange rates. This is managed at an intermediate group level by Serimax Holdings SAS who hold accounts in Sterling, US Dollars and Euros, the three main currencies involved in the business. Vallourec as ultimate parent entity, does enter into hedging contracts mainly to manage its exposure to foreign exchange risks arising from orders taken and sales made by certain subsidiaries in currencies other than their functional currency. The group manages its exposure to foreign exchange risk by setting up hedges based on regularly updated forecasts of customer orders, operating receivables and revenue that will be generated by the orders are therefore hedged by financial instruments, mainly forward currency sales.
- **Credit risk:** The company's principal financial assets are bank balances, cash and trade and other debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts. While concentration of credit risk arises due to a high percentage of our work being with a small number of customers, the relationship is long standing and we are assured of their financial security. In addition in October 2021 Serimax Limited entered into a factoring arrangement with JP Morgan to enable a faster drawdown of customer payment with a key customer, this enables Serimax Limited to access customers payments 90 days early while paying a small discount fee in return. The credit risk on liquid funds is limited because the counterparties are internationally recognised banks.
- **Interest risk:** The company's financial liabilities include amounts due to other Group undertakings which bear a market rate of interest. Interest rate risk is managed at Group level.
- **Legal and Regulatory:** The nature of the industry and activity the company operates in means there are significant regulatory and legal compliance requirements. The responsibility of ensuring compliance sits with senior management of all functions, supported by group teams where necessary. Changes in regulatory and or legal requirements are monitored on a regular basis by management, in addition policies, training and performance checks are undertaken to ensure continued compliance with such regulations.
- **Liquidity risk:** The company is party to Group funding arrangements in order to maintain liquidity and ensure that funds are available for ongoing operations and future developments.

Going concern

As discussed in note 1 to the financial statements, having assessed the financial position of the company and its future prospects, including the continuing availability of funding support from the Group (through a letter of support), the director considers the company has access to appropriate resources to allow it to continue in operational existence for at least 12 months from the date of signing the financial statements. Accordingly, the going concern basis continues to be adopted in the preparation of the financial statements.

As noted in the post balance sheet event note, Serimax Limited announced a restructuring of the business in December 2022. This will reduce the cost base going forward, which will aid the profitability of the business and the going concern outlook.

Approved by the director:



5 October 2023

Serimax Limited

Director's report

The director presents their annual report on the affairs of Serimax Limited ('the Company'), together with the financial statements and auditor's report, for the year ended 31 December 2022

The following sections have been included in the Strategic Report on page 2 - principal activities, business review, future developments, financial risk management objectives and policies and going concern. In the year, the company continued to operate branches in the United Kingdom and Europe.

Donations

During the year the company made donations of £2,127 (2021: £1,045) to a number of different charities and organisations locally.

Dividends

The company paid no dividends during the current or previous year, and have proposed no dividends post year end.

Director

The present membership of the board is set out on page 1. The director who served during the year and to the date of this report was as follows:

G Graindor

Director's indemnities

The company has made qualifying third-party indemnity provisions for the benefit of its director and company which were made during the period and remain in force at the date of this report.

Disabled employees

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

Employee consultation and communication

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through briefing and zone meetings.

In addition, the restructure exercise was announced using a 'townhall' style meeting to all employees, and throughout the process clear lines of communication and dialogue have been maintained with employees to try and support them as best as possible during a difficult time.

Branches

The company has a registered branch in Norway and Cyprus.

Research and development

The company carries out a limited amount of research and development work locally relating to local welding processes and operations. There is also work done at the Group Corporate research & development centre in Paris, costs of which are allocated to this company by way of recharge each year £643,876 (2021: £349,054).

Events after the balance sheet date

There have been no events subsequent to the balance sheet date.

Engagement with supplier, customers, and others

We value all of our customers and suppliers especially as many are small, local suppliers and it is our duty to act in a responsible manner towards them and continue to support the local business community.

Serimax Limited

Director's report (continued)

Auditor

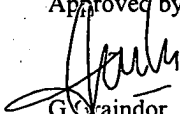
The director at the date of approval of this report confirms that:

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

The confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to be re-appointed for another term and appropriate arrangements are being put in place for them to be deemed re-appointed as auditor in the absence of an Annual General Meeting.

Approved by the director:



G Craindor
Director

5 October 2023

Serimax Limited

Director's responsibilities statement

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether 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 director is 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. He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Serimax Limited

Independent auditor's report to the members of Serimax Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Serimax Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (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 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 Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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

Serimax Limited

Independent auditor's report to the members of Serimax Limited (continued)

Other information (continued)

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered 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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the director about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Serimax Limited

Independent auditor's report to the members of Serimax Limited (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our procedures performed to address it are described below:

- Significant risk surrounding revenue recognition at period end. Testing was performed on sales pre- and post- year end and analysis of actual and expected gross margins on each material project.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Serimax Limited

Independent auditor's report to the members of Serimax 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.

Carl Acton

Carl Acton BA (Hons) BFP FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

6 October 2023

Serimax Limited

Income statement For the year ended 2022

	Note	2022	2021
Revenue	3	21,148,268	19,246,694
Cost of sales		(15,830,674)	(15,722,968)
Gross profit		<u>5,317,594</u>	<u>3,523,726</u>
Other operating income		258,251	133,822
Administrative expenses		(9,304,605)	(8,245,133)
Grant income		-	<u>361,032</u>
Operating loss		<u>(3,728,758)</u>	<u>(4,226,553)</u>
Gain on disposal of tangible fixed assets		<u>1,000</u>	<u>-</u>
Finance costs	4	<u>(690,183)</u>	<u>(221,222)</u>
Loss before tax	5	<u>(4,417,941)</u>	<u>(4,447,775)</u>
Tax on loss	9	<u>-</u>	<u>-</u>
Loss for the financial year		<u><u>(4,417,941)</u></u>	<u><u>(4,447,775)</u></u>

All activities relate to continuing operations.

There are no recognised gains or losses other than as included in the income statement for the current and prior year. Accordingly, no separate statement of comprehensive income is presented.

Serimax Limited

Balance sheet

As at 31 December 2022

	Notes	2022	2021 £
Non-current assets			
Property, plant and equipment	11	1,490,271	1,605,474
Right of use assets	19	59,700	63,145
Investment	12	1	1
		<u>1,549,972</u>	<u>1,668,620</u>
Current assets			
Inventories	13	923,644	1,197,773
Trade and other receivables	14	5,074,777	4,310,851
Cash and bank balances		378	11,480
		<u>5,998,799</u>	<u>5,520,104</u>
Total assets		<u>7,548,771</u>	<u>7,188,724</u>
Current Liabilities			
Trade and other payables	15	(11,057,439)	(6,838,304)
Current tax liabilities	15	(715,437)	(27,855)
Deferred income	16	(523,058)	(637,620)
Lease liabilities	18	(24,137)	(22,269)
		<u>(12,320,071)</u>	<u>(7,526,048)</u>
Net current liabilities		<u>(6,321,272)</u>	<u>(2,005,944)</u>
Total assets less current liabilities		<u>(4,771,300)</u>	<u>(337,324)</u>
Non-current liabilities			
Deferred income	16	(98,079)	(98,081)
Lease liabilities	18	(41,715)	(57,748)
		<u>(139,794)</u>	<u>(155,829)</u>
Net liabilities		<u>(4,911,094)</u>	<u>(493,153)</u>
Equity			
Share capital	17	36,600,000	36,600,000
Retained earnings		(41,511,094)	(37,093,153)
Equity attributable to owners of the Company		<u>(4,911,094)</u>	<u>(493,153)</u>

The financial statements of Serimax Limited (registered number SC73616) were approved by the director and authorised for issue on 5 October 2023. They were signed on its behalf by:


G. G. G. G.
Director

Serimax Limited

Statements of changes in equity For the year ended 31 December 2022

	Called up Share capital (Note 17) £	Profit and loss account £	Total £
Balance at 1 January 2021	36,600,000	(32,645,378)	3,954,622
Loss for the period and total comprehensive expense	-	(4,447,775)	(4,447,775)
Issue of share capital			
Balance at 31 December 2021	36,600,000	(37,093,153)	(493,153)
Loss for the period and total comprehensive expense	-	(4,417,941)	(4,417,941)
Balance at 31 December 2022	36,600,000	(41,511,094)	(4,911,094)

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

Serimax Limited is a private company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act and is registered in Scotland. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2.

These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council, taking advantage of the section 400 exemption from preparing group financial statements. The company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- the requirements of IFRS 7 Financial instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant and Equipment, paragraph 118(e) of IAS 38 of Intangible Assets and paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraph 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirement of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which a party to the transaction is wholly owned by such a member;
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 IFRS 15 Revenue from Contracts with Customers;
- the requirements of paragraph 52 of IFRS 16 Leases;
- the requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total; and
- the requirements of paragraphs 45(b), and 46-52 of IFRS 2, Share Based Payments.

Where required, equivalent disclosures are given in the group financial statements of Vallourec S.A. The group financial statements of Vallourec S.A are available to the public and can be obtained as set out in note 22.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

These financial statements are separate financial statements. The company is exempt from the preparation of consolidated financial statements, because it is included in the group financial statements of Serimax Holdings SAS.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

1. Accounting policies (continued)

Basis of accounting (continued)

Details of the parent in whose consolidated financial statements the company is included are shown in note 22 to the financial statements.

Going concern

At 31 December 2022 the company has net current liabilities of £(4,911,094) (2021: net current liabilities £493,153). The director has considered the financial position of the company, the future strategy of the company and continuing financial support required from the Vallourec group (through a letter of support from Group). As mentioned before Serimax has undergone restructuring and has agreed new pricing for work and also cash in advance milestone invoicing, this will aid the liquidity and profitability of the Company in both the immediate and longer term. Having considered the circumstances and available information, the director has a reasonable expectation that the company will have access to appropriate resources to allow it to continue to trade in the ordinary course of business for at least 12 months from date of signing the financial statements. Accordingly, the director continues to adopt the going concern basis in the preparation of the financial statements.

Investment in subsidiaries

Investments in subsidiaries are recorded at cost less, where appropriate, any provision for impairment.

Tangible fixed assets

Tangible fixed assets are initially recorded at cost, net of depreciation and any provision for impairment.

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

Freehold buildings	2% per annum
Plant and machinery	14% per annum
Motor vehicles	14% per annum
Computer equipment	33% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Impairment of tangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

1. Accounting policies (continued)

Impairment of tangible assets (continued)

loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Government grants

Capital grants in respect of capital expenditure are credited to a deferred income accounts and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Inventories

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

The company operates a defined contribution pension scheme. 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 contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

1. Accounting policies (continued)

Leases

Lease identification

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Right-of-use assets

A right-of-use asset is recognised by the Company if the right to obtain substantially all of the economic benefits from the identified asset and the Company has the right to direct the use of the identified asset. In circumstances where the supplier has a substantive right to substitute the asset throughout the period of use, the 'right to use an asset' criteria has not been met. Following the initial recognition of the right-of-use asset, the right-of-use asset is measured using a cost model.

Lease liabilities

Lease liabilities are measured using an effective interest method so that the carrying amount of the lease liability is measured on an amortised cost basis and the interest expenses is allocated over the lease term.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate used in the initial measurement of the lease liability. Lease payments are discounted using the interest rate implicit in the lease or the Company's incremental borrowing rate if the rate implicit in the lease is not readily determined. After the commencement date, both interest on the lease liability and variable lease payments (if applicable) are not included in the measurement period. If these are included, they would be recognised in the profit or loss.

Extensions and terminations

The Company reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances which is in its control. It is considered significant if it affects whether the Company is reasonably certain to exercise (or not exercise) an option not previously included in its determination of the lease term. The Company will revise the lease term if there is a change in the non-cancellable period of a lease.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Foreign currency

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the functional currency are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

1. Accounting policies (continued)

Financial instruments (continued)

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Impairment of financial assets

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

1. Accounting policies (continued)

Financial instruments (continued)

Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Derecognition of financial assets

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

1. Accounting policies (continued)

Financial instruments (continued)

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Revenue recognition

Revenue is stated net of VAT and trade discounts. Revenue represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due.

Revenue is calculated by reference to the value of work performed to date as a proportion of the total contract value. Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity is entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

In 2022 Serimax Limited recognised revenue across the following product lines:

- Spoolbase £14,128k
- Fabrication £2,867k
- Landlines £2,174k
- Training £37k

No incremental costs were incurred in obtaining these contracts, and the cost to fulfil these contracts was:

- Spoolbase £11,643k
- Fabrication £2,023k
- Landlines £1,561k
- Training £50k

Performance obligations are satisfied over time through provision of welding and fabrication services for each specific contract that contains specific technical requirements to be fulfilled for that contract. Progress is measured and revenue recognised through time and milestone achievement.

Research and development

Research expenditure is expensed as incurred. Development expenditure is also expensed, except where the director is satisfied as to the technical, commercial and financial viability of individual projects.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

1. Accounting policies (continued)

Coronavirus Job Retention Scheme (CJRS)

The CJRS results in cash payments from government to compensate employers for part of the wages, associated national insurance contributions (NICs) and employer pension contributions of employees who have been placed on furlough- this is a government grant and accounted for in accordance with Section 24 of FRS 101. Serimax Limited recognises the grants based on the accrual model- with grant income shown within other income and any debtor balance is recognised as due from HMRC. Grant income is not netted off against wages and salary costs.

With all Covid pandemic support measures ending in late 2021, Serimax received no CJRS funding in 2022 (2021: £361,032).

Share-based payment

The group share ownership programme allows eligible employees to acquire shares and options over shares of Vallourec S.A., the ultimate parent company. Under these schemes, employees are granted share options and performance based share awards based on certain criteria. In addition, staff may also be allocated shares as part of a "free share" programme and can also purchase shares through a FCPE arrangement. Finally, there is an older arrangement whereby employees were entitled to buy share appreciation rights at a discounted value. Further details of the schemes are detailed in note 10.

The fair value of options granted is recognised as an employee expense over the vesting period, with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options which is generally a period between four and five years. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting. This expense is recognised as an employee expense with a corresponding entry in equity. The entry to equity is reduced by any contribution payable by the company, and should the contribution payable exceed the expense incurred then the excess is treated as a distribution.

Share appreciation rights are accounted for as "cash settled" and the fair value of appreciation rights granted is recognised as an employee expense, with a corresponding entry in liabilities.

Warrants taken out against share appreciation rights are recognised at their fair value with movements in the value reflected in the profit and loss account.

New Mandatory Standards

Main mandatory standards 2022:

- Annual Improvements to IFRS Standards impacting IFRS 1, 9 and 41.
- Amendments to IFRS3- conceptual frameworks.
- Amendments to IAS16- PPE: proceeds before intended use.
- Amendments to IAS 37 Onerous Contracts.
- Climate Related reporting requirements- listing Rule and Climate related Financial Disclosure Regulations applicable to firms with >500 staff members.

The company has considered these new standards and do not believe them to be applicable to the company.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described in note 1 above, the director is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Any critical accounting judgements or key sources of estimation uncertainty are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The company have considered critical judgements and do not believe there are any.

Key sources of estimation uncertainty

Useful lives and value in use of tangible fixed assets

The estimated useful lives and value in use of property, plant and equipment is reviewed at the end of each reporting period. In considering the risk of impairment and the useful lives of assets consideration is given to the historical performance, condition and prospects of assets. During the period no impairment has been identified and there is no change in useful lives.

Percentage of completion contracts

As described in note 1 the directors of the company estimate the percentage stage of completion of long term contracts to determine revenue, amounts recoverable on contracts, work in progress as well as cost accrued on these contracts during the year. In making his judgement on the percentage of a contract completion, the director assesses costs to complete as the proportion of the total costs budgeted as well as time patterns of a contract execution.

3. Revenue

An analysis of the Company's turnover by geographical market is set out below.

	2022 £	2021 £
United Kingdom	7,670,888	9,673,367
Rest of Europe	12,567,384	9,312,605
Others	909,996	260,722
	<u>21,148,268</u>	<u>19,246,694</u>

All turnover, in both the current and previous year, relates to the provision of services.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

4. Finance costs

	2022 £	2021 £
Interest payable to group companies	573,984	204,693
Interest payable on leases	(33,464)	9,265
Customer factoring	149,663	7,264
	<u>690,183</u>	<u>221,222</u>

During 2022 Serimax identified historic over accrual of lease liabilities and associated interest charges, these have been adjusted in these financial statements.

5. Loss before tax

Loss before tax is stated after charging/(crediting):

	2022 £	2021 £
Depreciation of property, plant and equipment (note 11)	177,931	171,724
Depreciation of right of use assets (note 19)	28,286	28,079
Foreign exchange gains/(loss)	5,071	(10,350)
Capital grants released (note 16)	(2,623)	(2,621)
Gain/(Loss) on disposal of tangible fixed assets	1,000	-
Research and development	643,876	349,054
Cost of inventories recognised as an expense	(92,490)	225,053
	<u></u>	<u></u>

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual financial statements were £50,000 (2021: £50,000). There was nil non-audit fees in 2022 (2021: nil).

7. Staff costs

The average monthly number of employees was:

	2022 No.	2021 No.
Production staff	109	109
Administrative staff	50	52
	<u>159</u>	<u>161</u>

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	13,095,974	12,065,811
Social security costs	1,360,008	1,319,988
Other pension costs (note 20)	455,085	510,053
	<u>14,911,067</u>	<u>13,895,852</u>

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

8. Director's remuneration and transactions

The director is an employee of Serimax Holdings SAS, who recharged the company £nil (2021: £nil) in respect of a portion of his remuneration allocated to his services for the company.

9. Tax on loss

The tax charge comprises:

	2022 £	2021 £
<i>Current tax:</i>		
Foreign tax suffered	-	-
Adjustment in respect to prior year	-	-
	<hr/>	<hr/>
Total tax on loss	-	-
	<hr/>	<hr/>

The charge for the year can be reconciled to the loss in the profit and loss account as follows:

	2022 £	2021 £
Loss before taxation	(4,417,941)	(4,447,775)
	<hr/>	<hr/>
Tax at 19% (2021: 19%) thereon	(839,409)	(845,077)
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	246,535	209,638
Effects of overseas tax	-	-
Deferred tax not recognized	592,874	635,439
	<hr/>	<hr/>
Total tax	-	-
	<hr/>	<hr/>

A deferred tax asset amounting to £4,655,572 (2021: £4,062,698) has not been recognised as its recovery is not certain in the foreseeable future. The UK Government announced in the 2021 March budget, an increase in the standard rate of corporation tax from 19% to 25% effective from 1 April 2023.

10. Share-based payments

The management board of Vallourec S.A. (the ultimate parent undertaking) authorised, from 2010 to 2022, share subscription plans for executive management and corporate officers and performance and free share plans for some employees and corporate officers throughout the Vallourec group, including employees and management of the company. It should be noted that the characteristics of the 2011 to 2020 plans were revised to take account of the decision of the Chairman of the Management Board on June 30, 2021 to adjust the number and exercise price of the shares in order to protect the rights of the holders following the capital increase of June 30, 2021. Exercise price is the fair value on grant date. The weighted average price of options exercised in 2022 was £10.52 (2021 £8.99).

Share option plans have a vesting period of 4.6 years and a maximum holding period of between 3 and 6 years. A performance factor is applied to determine the number of options available to exercise at the end of the vesting period.

Performance share allocation plans granted have a vesting period of 3 years and a maximum holding period of between 0 and 2 years. A performance factor is applied to determine the number of options available to exercise at the end of the vesting period.

There was no expense incurred in 2022 (2021: £238).

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

11. Tangible assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Computer equipment £	Total £
Cost					
At 1 January 2022	2,223,503	2,147,522	207,830	287,733	4,866,588
Additions	141	52,300	-	10,288	62,729
Disposals	-	(24,999)	(70,973)	-	(95,972)
At 31 December 2022	2,223,644	2,174,823	136,857	298,021	4,833,345
Depreciation					
At 1 January 2022	914,164	1,911,587	195,313	240,051	3,261,115
Charge for the year	41,203	104,045	7,900	24,783	177,931
Disposals	-	(24,999)	(70,973)	-	(95,972)
At 31 December 2022	955,367	1,990,633	132,240	264,834	3,343,074
Net book value					
At 31 December 2022	1,268,277	184,190	4,617	33,187	1,490,271
At 31 December 2021	1,309,339	235,935	12,518	47,682	1,605,474

Included in freehold property is land of £167,872 (2021: £167,872) which has not been depreciated.

12. Investment

	Shares in group company £
Cost and net book value	
At 1 January 2022 and 31 December 2022	1

Subsidiary undertaking & Principle place of business	Country of incorporation	Principal activity	Percentage of ordinary shares held
Serimax Angola Limited (16 Airfield Road, Evanton, Scotland Ross-shire, IV16 9XJ)		Pipeline fabrication	100%

During the year, the company made a loss of £4,719 (2021: loss of £3,927) and there are net liabilities of £14,236 (2021: £9,517) as at 31 December 2021.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

13. Inventory

	2022	2021
Consumables	923,644	1,197,773

The difference between purchase price or production cost of stocks and their replacement cost is not material.

14. Trade and other receivables: amounts falling due within one year

	2022	2021 £
Trade receivables	2,313,480	1,341,558
Amounts owed by group undertakings	186,028	311,165
Other receivables	22,649	676,877
Prepayments	77,538	176,542
Accrued income	2,475,082	1,804,709
	<u>5,074,777</u>	<u>4,310,851</u>

All amounts are recoverable within one year. Amounts due from group undertakings are in return for provision of welding services to associated group companies at agreed Intercompany rates, these are not interest bearing.

15. Trade and other payables: amounts falling due within one year

	2022	2021 £
Trade payables	26,037	232,490
Amounts owed to group undertakings	9,190,778	5,412,624
Other taxation and social security	715,437	27,855
Accrued expenses	1,840,624	1,193,190
	<u>11,772,876</u>	<u>6,866,159</u>

Amounts due to group undertakings are:

- unsecured, repayable on demand and interest bearing where interest is payable at market interest rates at SONIA 3M spread +6.5% plus intermediation fee +0.15% as part of cash facility provided from group.
- purchase of welding equipment/services from other group companies, these are at agreed intercompany rates and are not interest bearing.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

16. Deferred income

	Deferred capital grants	Norwegian Project	Total £
At 1 January 2022	100,702	634,999	735,701
Added during the year	-	1,257,097	1,257,097
Released during the year	(2,623)	(1,369,038)	(1,371,661)
At 31 December 2022	<u>98,079</u>	<u>523,058</u>	<u>621,137</u>

The deferred capital grant is being amortised over the same period as the useful lives of the fixed assets purchased using the proceeds of the grant funding.

Norwegian project revenue reflects amounts paid for work yet to be completed due to project milestones.

17. Called up share capital

	2022 £	2021 £
Authorised, allotted, called up and fully paid		
Opening (36,600,000 Ordinary shares of £1 each)	36,600,000	36,600,000
Issued in the year (0 Shares)	-	-
Closing (36,600,000 Ordinary shares at £1 each)	<u>36,600,000</u>	<u>36,600,000</u>

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

Retained earnings represents cumulative profits or losses, including unrealised profit on the remeasurement of investment properties, net of dividends paid and other adjustments.

18. Borrowing and lease liabilities

(a) Analysis of lease liabilities

Amount due for settlement	2022 £	2021 £
On demand or within one year	24,137	22,269
Between one and five years	41,715	57,748
After five years	-	-
	<u>65,852</u>	<u>80,017</u>

Serimax Limited does not face a significant liquidity risk with regard to its lease liabilities- all lease obligations are denominated in currency units.

In 2022 Serimax evaluated leases and removed historic over liabilities from lease schedule this has impacted the interest expense future liability amounts payable this year.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

19. Right of use

	Freehold buildings £	Motor vehicles £	Computer equipment £	Total £
Cost				
At 1 January 2022	75,680	21,911	70,112	167,703
Additions	-	13,155	24,663	37,818
Adjustment	209	-	804	1,013
Disposals	-	-	(28,341)	(28,341)
At 31 December 2022	75,889	35,066	67,238	178,193
Depreciation				
At 1 January 2022	29,701	17,934	56,923	104,558
Charge for the year	15,243	2,755	10,288	28,286
Adjustment	-	-	804	804
Disposals	-	-	(15,155)	(15,155)
At 31 December 2022	44,944	20,689	52,860	118,493
Carrying Amount				
At 31 December 2022	30,945	14,377	14,378	59,700
At 31 December 2021	45,979	3,977	13,189	63,145

The Company leases the assets as part of the routine nature of business activities. It has the right to terminate all leases, subject to minimum term penalty fees.

The Company has a right to extend the freehold building lease for a further 5 years from 31st December 2024- no such decision has been made on this extension at balance sheet date.

The Company leases several assets (above) including motor vehicles, plants and IT equipment, the average lease term is 3 years. The maturity analysis of lease liabilities is presented above.

Amounts Recognised in profit and loss	£
Depreciation expense on right-of-use-assets	28,286
Interest expense on lease liabilities	(33,464)

At 31 December 2022, the company is committed to £0 (2021: £0) in short term leases. The expenditure on short term leases was £620 in 2022.

20. Retirement benefit schemes

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 costs in the year amounted to £455,085 (2021: £510,053). Contributions of £67,969 were outstanding at year end (2021: £67,199) and are included within accrued expenses.

Serimax Limited

Notes to the financial statements For the year ended 31 December 2022

21. Related party transactions

As permitted by FRS 101 the company has not disclosed transactions with related parties who are fellow group companies, which are 100% owned within the group.

Technip FMC owns 20% of the immediate parent undertaking Serimax Holdings SAS. During the year, Serimax Limited made sales of £4,915,230 (2021: £11,411,660) with Technip UK Limited. At 31 December 2022 there is a debtor balance of £718,575 (2021: £1,775,414) and accrued revenue balance of £2,475,082.47 (2021: £1,804,709). All transactions were undertaken as standard external trading arrangements at arm's length, no discounted or preferential rates were used.

22. Controlling party

The company's immediate parent undertaking is Serimax Holdings SAS. The ultimate controlling party is Vallourec S.A.

The smallest and largest group in which the results of the company are consolidated is that headed by Vallourec S.A. a company registered in France, and whose share capital is listed on NYSE Euronext which is the ultimate parent company.

Copies of the group financial statements are available from:

Vallourec S.A., 12 Rue de la Verrerie, Meudon, France.

Or the website

www.vallourec.com