Subsea 7 Treasury (UK) Limited

Report and Financial Statements

For the year ended 31 December 2019

Registered Number 00974791

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Subsea 7 Treasury (UK) Limited **Registered No. 00974791**

Report and Financial Statements
for the year ended 31 December 2019

Contents

Subsea 7 Treasury (UK) Limited **Registered No. 00974791**

Directors and Other Information
for the year ended 31 December 2019

Directors
Alexandre Bringer
Mark Hodgkinson
Nathalie Louys
Ricardo Rosa

Company Secretary
Lorna Peace

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40 Brighton Road
Sutton
Surrey
England
SM2 5BN

Independent Auditor
Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Strategic Report
for the year ended 31 December 2019

The Directors present their Strategic Report for Subsea 7 Treasury (UK) Limited (the "Company") for the year ended 31 December 2019. This report is specific to the Company and not the wider Subsea 7 S.A. group, being Subsea 7 S.A. and its subsidiaries, (the "Group"). The results for the Group are contained within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. which can be found at www.subsea7.com.

Review of the business
The principal activities of the Company during the year were to provide internal finance to the Group via the working capital facility, enter into foreign exchange contracts and place short-term maturity deposits with creditworthy financial institutions.

The total comprehensive income for the year was $98.5 million (2018: $148.8 million). The current year profit comprises net operating income of $127.3 million (2018: $151.0 million), net other losses recognised of $6.1 million (2018: net gains of $40.4 million) and taxation expense of $22.7 million (2018: $42.7 million).

As at 31 December 2019 non-current assets totalled $800.1 million (2018: $2.1 billion). The movement is due to two partial loan note repayments of $700.0 million and $575.6 million received from Subsea 7 International Holdings (UK) Limited.

As at 31 December 2019 net current liabilities totalled $395.4 million (2018: $678.2 million). The movement is primarily due to a net reduction of amounts due to group undertakings.

On 2 April 2019 the Directors approved a dividend and the Company paid the dividend to the Company's immediate parent undertaking Subsea 7 International Holdings (UK) Limited of $575.6 million.

The Company adopted IFRS 16 'Leases' which was effective for the reporting period beginning on 1 January 2019. This did not have an impact on the reporting of the Company's financial position or performance.

Section 172(1) statement
The section 172(1) statement has been included within the Directors' Report. The full statement can be found on pages 5 to 7.

Key performance indicators
Under s414c of the Companies Act 2006, the Directors are required to disclose the Company's financial and non-financial key performance indicators. The Group manages its operations at a segmental and geographical level. For these reasons the Directors believe that the disclosure of key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Group, which includes this company, is discussed in the Annual Report and Consolidated Financial Statements of the ultimate parent undertaking, Subsea 7 S.A.

The Directors are satisfied with the performance and results of the Company for the year.

Principal risks and uncertainties
The management of the business and the execution of the Company's strategy are subject to a number of risks. The Company is subject to management processes applicable to the entire Group. The Group's risk management programme seeks to limit the adverse effects of these factors on the financial performance of group companies. Information on how the risks specific to the Company arise are set out below, as are the objectives, policies and processes for their management and the methods used to measure each risk. The key business risks and uncertainties affecting the Company include:

Foreign currency risk management
The Company provides internal finance to the Group via the working capital facility. Thus, the Company's activities expose it to the financial risks of changes in foreign currency exchanges rates. In order to provide internal finance, the Company enters into a variety of derivative financial instruments to manage the Group's exposure to foreign currency exchange rates.

Strategic Report (continued)
for the year ended 31 December 2019

Principal risks and uncertainties (continued)

Interest rate risk management
The Group, on behalf of the Company, places surplus funds in the money markets to generate an investment return for a range of maturities (generally less than three months) ensuring a high level of liquidity and reducing the credit risk associated with the deposits. Changes in the interest rates associated with these deposits will impact the return generated. Details of the Group's interest rate sensitivity analysis can be found in the Subsea 7 S.A. group Annual Report and Consolidated Financial Statements.

Compliance and ethics risk
The Company is committed to conducting business in a legal and ethical manner. However, there is a risk that its employees, representatives or such other persons may take actions that breach the Group's Code of Conduct or applicable laws, including but not limited to anti-bribery and anti-corruption laws. Any such breach could result in monetary penalties, convictions, debarment and damage to the Company's reputation and could therefore impact its ability to do business.

Integrity is one of the Group's core values and the Group also has an Ethics Policy Statement and Code of Conduct, which clearly sets out the behaviours expected of its employees and those who work with it. The Group has a compliance and ethics programme underpinned by its values and designed in accordance with international best practice to embed the Code of Conduct and to prevent bribery and corruption. The programme includes financial controls, supply chain management procedures, and procedures for managing third party risks. Mandatory annual compliance and ethics e-learning for employees raises awareness, highlights the whole range of consequences and encourages compliance. A committee comprising members of the Group's Executive Management Team sets objectives for the implementation of the compliance and ethics programme and monitors progress. The Group has engaged an independent third party assurance provider to benchmark the compliance and ethics programme against best practice including International Standard ISO 37001.

Information technology and security risk
The Group and Company's operations depend on the availability and security of a number of key information technology (IT) systems. These systems could be disrupted or compromised by a general IT failure or cybercrime risks including but not limited to:

- Unauthorised system access;
- Malware (including computer viruses);
- Theft and misappropriation of data and sensitive information; and
- Targeted fraud attacks

Such breaches in IT security could adversely impact the Group and Company's ability to operate and lead to financial loss, damaged reputation, loss of customer and shareholder confidence and regulatory fines.

The Group recognises the increased incidence of cyber security threats and continually reviews its policies, procedures and defences to mitigate associated risks, engaging market-leading specialists where appropriate. The Group has a number of IT policies, including a policy on information security, designed to protect its systems and ensure their availability and integrity as well as combating attempted fraud. These policies are regularly reviewed to ensure they continue to address existing and emerging information security, cyber maritime and cybercrime risks. Internal e-learning courses are used to raise awareness among employees of IT security risks and of the Group's procedures to manage them. Furthermore, the Group maintains a programme of regular investment in new hardware, software and systems to ensure the integrity of IT security defences.

Credit risk
Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and trade receivables. Cash and cash equivalents primarily composed of deposits and investments are maintained with a number of trustworthy financial institutions, spread so far as to mitigate the risk of financial loss. The Company performs on-going credit evaluations of counterparties and generally does not require collateral from its customers. The credit risk on liquid funds is mitigated because the Company's counterparties are either group undertakings or banks with high credit-ratings assigned by international credit rating agencies.

Strategic Report (continued)
for the year ended 31 December 2019

Principal risks and uncertainties (continued)

Cash flow and liquidity risk
The Company's working capital position is affected by the timing of contract cash flows where the timing of receipts from customers may not necessarily match the timing of payments made to suppliers. The availability of short-term and long-term financing may be required to meet obligations as they fall due. In the event that such financing was to be unavailable or withdrawn, the Company's activities would be significantly constrained.

The Company is the head of the Group's centralised financing arrangements which, through committed banking facilities, seeks to meet the working capital requirements of all group companies and finance the acquisition or construction of new assets. The Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure the Group has sufficient available funds for operations and planned expansions. The Group has access to committed external facilities and other sources of external finance which can be made available to the Company as required. The Company has access to these sources of funding through the working capital facility.

As the global economy is impacted by the unprecedented health and economic crisis following the outbreak of the Covid-19 pandemic, management continues to monitor the potential operational and financial impacts for the Company. This is considered further within the Directors' Report.

In the opinion of the Directors, the Company is well placed to successfully manage the principal risks and uncertainties.

On behalf of the Board

Alexandre Bringer
Director
29 July 2020

Directors' Report
for the year ended 31 December 2019

The Directors present their report for Subsea 7 Treasury (UK) Limited (the "Company") for the year ended 31 December 2019. This report is specific to the Company and not the wider Subsea 7 S.A. group, being Subsea 7 S.A. and its subsidiaries, (the "Group"). The results for the Group are contained within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. which can be found at www.subsea7.com.

Directors
The names of the current Directors are listed on page 1. All held office throughout the year.

Qualifying third party indemnity provisions
The Company has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force at the date of approving the Directors' Report.

Principal activities
The principal activities of the Company during the year related to the provision of internal financing arrangements and entering into a variety of derivative and non-derivative financial contracts maintained with a number of creditworthy financial institutions. During the year, the Company began entering into commodity hedging activities for projects on behalf of other group undertakings. The Directors are not aware, at the date of this report, of any likely changes in the Company's activities in the forthcoming year.

Results and performance
The Statement of Comprehensive Income for the year is set out on page 12. The Company's total comprehensive income for the year ended 31 December 2019 of $98.5 million (2018: $148.8 million) has been transferred to reserves.

Dividends
The Company does not have a formal dividend policy. Dividends are recommended based on a review of financial position and financial performance by the Directors. On 2 April 2019 the Directors approved and the Company paid a dividend to the Company's immediate parent Subsea 7 International Holdings (UK) Limited of $575.6 million. The distribution was used to part-settle the long term loan receivable with the parent company.

Financial instruments
The Company is part of the Group's centralised financing risk management arrangements and manages financial risks through internal risk reports which analyse exposures by degree and magnitude of risks. Where appropriate the Group's risk management programme seeks to limit the adverse effects of risks and seeks to minimise the effects of these risks by using a variety of financial instruments to hedge risk exposures. The Group reviews compliance with policies and exposure limits on a regular basis and it does not enter into or trade financial instruments for speculative purposes.

The Company enters into both derivative financial instruments and non-derivative financial instruments in order to manage foreign currency exposures. The principal derivative financial instruments used are foreign currency contracts.

Future developments
The Company intends to continue providing internal financing via the working capital facility and foreign exchange transactional support for the Group.

Activity levels in 2020 are expected to be lower than the prior year due to the impact of Covid-19 on the global economy. However, the Directors expect that interest income will continue to be generated from internal financing arrangements.

Section 172(1) statement
In accordance with section 172 of the Companies Act 2006, The Board of Directors of the Company act in a way that they consider in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the short and long term.

The Directors have had regard, amongst others, to the matters set out in section 172(1) (a)-(f) of the Companies Act 2006 to effectively discharge their section 172 duties.

Directors' Report (continued)
for the year ended 31 December 2019

Section 172(1) statement (continued)
The Board of Directors adhere to a Board Charter which sets out the instructions for the Board, in line with the Subsea 7 S.A. group. The main responsibilities of the Board of Directors are:

1. Setting the values used to guide the affairs of the Company. This includes the Company's commitment to achieving its health and safety vision and the Company's adherence to the highest ethical standards in all of its operations worldwide.
2. Integrating environmental improvement into business plans and strategies and seeking to embed sustainability into the Company's business processes.
3. Overseeing the Company's compliance with its statutory and regulatory obligations and ensuring that systems and processes are in place to enable these obligations to be met.
4. Setting the strategy and targets of the Company.
5. Establishing and maintaining an effective corporate structure for the Company.
6. Overseeing the Company's compliance with financial reporting and disclosure obligations.
7. Overseeing the risk management of the Company.
8. Overseeing Company communications.
9. Determining its own composition, subject to the provisions of the Company's Articles of Incorporation.
10. Ensuring the effective corporate governance of the Company.
11. Setting and approving policies.

All key decisions and matters that are of strategic importance to the Company are appropriately informed by section 172 factors.

Responsibilities during the year
During the year, the Board of Directors sets a plan for its work for the following year, which includes a review of strategy, objectives and their implementation, and the review and monitoring of the Company's current year financial performance.

It is the duty of the Executive Management Team to provide the Board of Directors with appropriate, precise and timely information on the operations and financial performance of the Company for the Board of Directors to perform its duties.

Risk management and internal control
The Board of Directors acknowledges its responsibility for the Company's system of internal control and for reviewing its effectiveness. The Company's system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material financial misstatement or loss.

The Company adopts internal controls appropriate to its business activities and geographical spread. The key components of the Company's system of internal control are described in the Strategic Report on pages 2 to 4. The Company has in place clearly defined lines of responsibility and limits of delegated authority. Comprehensive procedures provide for the appraisal, approval, control and review of capital expenditure. The Executive Management Team meets with other senior management on a regular basis to discuss particular issues, including key operational and commercial risks, health and safety performance, sustainability, environmental factors, and legal and financial matters.

The Company has a comprehensive annual planning and management reporting process. A detailed Group annual budget is prepared in advance of each year and supplemented by forecasts updated during the course of the year. Financial results are reported monthly to the Executive Management Team and quarterly to the Board of Directors and compared to budget, forecasts, market consensus and prior year results. The Board of Directors reviews reports on actual financial performance and forward-looking financial guidance.

Communication with stakeholders
The Company consists of various departments, all of which have a priority to engage and meet the needs of their stakeholders when it comes to decision making. Decision making takes place at all levels of the business, depending on authority levels, and the Company takes consideration of their stakeholders when making these decisions. The Board regularly review decisions made to ensure they are aligned with the stakeholders of the Company.

Directors' Report (continued)
for the year ended 31 December 2019

Section 172(1) statement (continued)
The Company acknowledges the division of roles between shareholders, the Board of Directors and the Executive Management Team. The Company further ensures good governance is adopted by holding regular Board of Directors' meetings, at which strategic, operational and financial matters are presented.

The Company's vision is to:
- Provide internal finance to the Group via the working capital facility, enter into foreign exchange contracts and place short-term maturity deposits with creditworthy financial institutions;
- Follow the Group's Values which are: Safety, Integrity, Sustainability, Innovation, Performance and Collaboration; and
- Follow the Company's Ethics Policy Statement and Code of Conduct which reflects its commitment to clients, shareholders, employees and other stakeholders to conduct business legally and with integrity and honesty. The Ethics Policy Statement and the Code of Conduct were approved by the Board of Directors and were issued to all Directors, officers and employees and are subject to periodic review and updating.

Details of how we engage with the Company's key stakeholders are set out below:

Subsea 7
We aim to develop long-lasting relationships with fellow Subsea 7 group undertakings through engaging with them on a regular basis. It is important for us to forge these relationships to assist us in our long-term goals of providing internal finance to the Group.

Communities
We are an active Company when it comes to engaging with our communities in particular around environment issues. We continually look to support local causes, create opportunities through recruitment, and assist in looking after our environment. The impact of our decisions on the environment both locally and nationally are considered to ensure any disruption is minimised to the lowest level.

Going concern
As the global economy is impacted by the unprecedented health and economic crisis following the outbreak of the Covid-19 pandemic, management continues to monitor the potential operational and financial impacts for the Company. In addition, the simultaneous increase in production by major oil producers and the unprecedented reduction in demand for energy has led to a significant imbalance in the oil and gas markets. The situation for the Company and the Group remains uncertain in terms of timescale and impact.

The outlook for the Company, as part of the Group, has changed significantly as a result of the impact of the Covid-19 pandemic on demand for energy and the price of oil. The Group is now preparing for a downturn in SURF and Conventional activity as clients focus on reducing capital expenditure budgets. This will have an impact on the pace of new awards and may affect the phasing of execution of recent contract wins. These factors will adversely impact both revenue and EBITDA of the Group. Delayed execution of higher-margin contracts which were due to start later in 2020 are expected to have an impact on the EBITDA for the SURF and Conventional business. The outlook for Renewables is more positive due to a diverse range of clients, many of which are not impacted by low oil prices and have not needed to make material cuts to near-term investment plans. While, in the short term, competition for these contracts is high, clients remain committed to clean energy initiatives and the offshore wind market continues to be viewed as a source of sustainable, profitable growth for the Group in the longer term.

The Group has a strong Balance Sheet with significant cash balances. At 31 March 2020, the Group had cash and cash equivalents of $340.0 million and total borrowings of $228.0 million. The Group has $656.0 million available and undrawn against its multi-currency revolving credit and guarantee facility, which has an expiry date of 4 September 2023. In addition, during April 2020 the Group finalised a new Euro Commercial Paper programme equivalent to $740.0 million to further diversify sources of liquidity. Furthermore, management believes the Group has continued access to the debt capital markets and other funding sources as a result of the strength of its Balance Sheet. Should additional funding be required, management consider that it will be possible to secure new funding through the issuance of new debt instruments or the arrangement of additional bank facilities.

Directors' Report (continued)
for the year ended 31 December 2019

Going concern (continued)
The Company had net assets of $0.4 billion (2018: $1.4 billion) at 31 December 2019. The net asset position is comprised primarily of trade and other receivables of $2.4 billion (2018: $3.0 billion), non-current amounts due from group undertakings of $0.8 billion (2018: $2.1 billion) and trade and other liabilities of $3.0 billion (2018: $4.2 billion). A large proportion of the Company's receivable balances are held with fellow group undertakings. An impairment review has been performed on these balances and no impairment has been recognised. Due to the significant financial resources of the Group, the Directors consider the balances to be recoverable.

Due to the projected reduction in EBITDA of the Group in the short to medium term, management has taken measures to reduce costs. A restructuring programme will see a reduction in workforce across the Group split between both non-permanent and permanent personnel. In addition, the Group's active vessel fleet will be reduced over the next 12 months. The aim is to achieve an annualised reduction in the Group's cash costs of approximately $400.0 million by the end of the second quarter of 2021. Capital investment plans for 2020 to 2022 have also been reduced significantly.

Despite the projected reduction in EBITDA of the Group, revised forecasts continue to demonstrate that the Group will generate cash flows from operations more than sufficient to support the assumption that the Group can continue as a going concern. Management have performed stress tests of future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios which reflect extended periods of low oil prices and potential operational and Covid-19 related issues which could adversely impact the Group. Management has also performed reverse stress testing through modelling of anticipated reasonable worst-case scenarios. In all scenarios, the Group identified no forecast breaches of banking covenants and sufficient liquidity.

Management consider that the going concern assumption remains appropriate for the Company. Despite the uncertainty regarding the potential impacts of the Covid-19 pandemic and the associated imbalance in the energy market, management consider that there are no significant doubts over the application of the going concern assumption and no disclosable material uncertainties which cast doubt upon the Company's ability to continue as a going concern.

Events since the Balance Sheet date
On 2 January 2020, the Company issued loan notes totalling $51.7 million to a fellow group undertaking, Tartaruga Insurance Limited. The term of each of the unsecured loan notes is between two and five years, with the final loan note redemption due on 3 January 2025.

On 29 February 2020, Subsea 7 International Holdings (UK) Limited undertook a partial settlement of $400.0 million against the unsecured loan agreement held with the Company. The loan was originally for a value of $2.5 billion and the remaining amount of $800.0 million is repayable on 13 June 2021.

On 30 June 2020, Subsea 7 Senior Holdings (UK) Limited undertook settlement of the $577.3 million unsecured loan agreement held with the Company. The loan was originally for a value of $1.3 billion and partial settlement of $700.0 million was undertaken in December 2019.

The Financial Statements have been prepared based on conditions existing at 31 December 2019, including those events occurring subsequent to that date which provide evidence of conditions that existed at the end of the reporting period. The Covid-19 outbreak was declared a pandemic by the World Health Organisation during March 2020. The pandemic and the response of the United Kingdom Government in dealing with the pandemic is impacting general activity levels, the economy and the operations of the Company. The scale and duration of the impact of the pandemic remain uncertain at the date of this report, however it is expected that they will have an adverse impact on the Financial Statements of the Company during 2020 and potentially in future periods. At the date of this report, the Directors do not consider it is practical to provide a meaningful quantitative or qualitative estimate of the potential impact of the pandemic on the Company. The pandemic is considered an event which is indicative of conditions which arose after the reporting period and as such no adjustments have been made to the Financial Statements as at 31 December 2019 due to the impact of the pandemic.

Directors' Report (continued)
for the year ended 31 December 2019

Events since the Balance Sheet date (continued)
The outlook for the Company, as part of the Group, has changed significantly as a result of the impact of the pandemic on demand for energy and the price of oil. The Group is now preparing for a downturn in activity as clients focus on reducing capital expenditure budgets. Due to a projected reduction in EBITDA of the Group in the short to medium term, management has taken measures to reduce costs. A restructuring programme will see a reduction in workforce across the Group split between both non-permanent and permanent personnel. In addition, the Group's active vessel fleet will be reduced over the next 12 months. The aim is to achieve annualised reduction in the Group's cash costs of approximately $400.0 million by the end of the second quarter of 2021. Capital investment plans for 2020 to 2022 have also been reduced significantly.

In April 2020, the Group finalised a Euro Commercial Paper programme equivalent to $740.0 million in order to diversify the Group's sources of liquidity. In June 2020, the Group extended its $656.0 million multi-currency revolving credit and guarantee facility, which is now due to mature on 4 September 2023.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 net income 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 estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, 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 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.

Disclosure of information to auditor
The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:
- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditor
Ernst & Young LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

On behalf of the Board

Alexandre Bringer
Director
29 July 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUBSEA 7 TREASURY (UK) LIMITED

Opinion

We have audited the Financial Statements of Subsea 7 Treasury (UK) Limited for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 22, 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 (United Kingdom Generally Accepted Accounting Practice) including FRS 101, 'Reduced Disclosure Framework'.

In our opinion, the Financial Statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 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.

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 below. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Effects of Covid-19

We draw attention to Note 21 of the Financial Statements, which describes the economic and social disruption the Company is facing as a result of Covid-19 which is impacting the wider UK and global economies. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- the Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

Other information

The other information comprises the information included in the Report and Financial Statements, other than the Financial Statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUBSEA 7 TREASURY (UK) LIMITED (continued)

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 Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 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 Directors' responsibilities statement set out on page 9, 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 Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Ernst & Young LLP

Kevin Weston (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

3 August 2020

Statement of Comprehensive Income
for the year ended 31 December

	Note	2019 $000	2018 $000
Interest income	5	**222,294**	285,217
Operating expenses		**(94,980)**	(134,168)
Net operating income	6	**127,314**	151,049
Other gains and losses	10	**(6,120)**	40,395
Net income before taxes		**121,194**	191,444
Taxation	11	**(22,718)**	(42,664)
Total comprehensive income		**98,476**	148,780

Subsea 7 Treasury (UK) Limited

Balance Sheet
As at 31 December

	Note	2019 $000	2018 $000
Assets			
Non-current assets			
Advances and receivables	14	**800,000**	2,075,845
Derivative financial instruments	19	**52**	-
		800,052	2,075,845
Current assets			
Trade and other receivables	15	**2,434,359**	2,950,783
Derivative financial instruments	19	**1,378**	7,557
Other accrued income and prepaid expenses	16	**291**	520
Cash and cash equivalents	17	**181,101**	568,847
Other financial assets	19	**-**	15,929
		2,617,129	3,543,636
Total assets		**3,417,181**	5,619,481
Equity			
Issued share capital	18	**1,372**	1,372
Paid in surplus		**155,044**	669,468
Retained earnings		**247,260**	724,337
Equity attributable to shareholders		**403,676**	1,395,177
Liabilities			
Non-current liabilities			
Derivative financial instruments	19	**997**	2,435
		997	2,435
Current liabilities			
Trade and other liabilities	20	**2,985,267**	4,185,709
Derivative financial instruments	19	**5,221**	1,934
Current tax liabilities		**22,020**	34,226
		3,012,508	4,221,869
Total liabilities		**3,013,505**	4,224,304
Total equity and liabilities		**3,417,181**	5,619,481

The notes to the Financial Statements on pages 15 to 33 are an integral part of these Financial Statements.

The Financial Statements of Subsea 7 Treasury (UK) Limited, Company Number 00974791 on pages 12 to 33 were approved by the Board of Directors on 29 July 2020 and were signed on its behalf by:

Alexandre Bringer
Director

Subsea 7 Treasury (UK) Limited

Statement of Changes in Equity
for the year ended 31 December 2019

	Issued share capital $000	Paid in surplus $000	Retained earnings $000	Total $000
Balance at 1 January 2019	**1,372**	**669,468**	**724,337**	**1,395,177**
Comprehensive income				
Net income	-	-	**98,476**	**98,476**
Total comprehensive income	-	-	**98,476**	**98,476**
Transactions with owners				
Dividends	-	-	**(575,553)**	**(575,553)**
Capital reduction	-	**(514,424)**	-	**(514,424)**
Total transactions with owners	-	**(514,424)**	**(575,553)**	**(1,089,977)**
Balance at 31 December 2019	**1,372**	**155,044**	**247,260**	**403,676**

	Issued share capital $000	Paid in surplus $000	Retained earnings $000	Total $000
Balance at 1 January 2018	1,372	669,468	575,557	1,246,397
Comprehensive income				
Net income	-	-	148,780	148,780
Total comprehensive income	-	-	148,780	148,780
Balance at 31 December 2018	1,372	669,468	724,337	1,395,177

Capital reduction
On 27 August 2019, the Company subscribed for 813,793 issued shares in Acergy B.V., a fellow group undertaking, the consideration being the settlement of the loan note receivable of $514.4 million from Acergy B.V. Immediately thereafter, on 28 August 2019, the Company undertook a capital reduction of $514.4 million, settled through the transfer of 813,793 shares in Acergy B.V. to the Company's immediate parent company, Subsea 7 International Holdings (UK) Limited.

Notes to the Financial Statements
for the year ended 31 December 2019

1 General information

The Financial Statements and notes contained within this document are specific to Subsea 7 Treasury (UK) Limited (the "Company") and not the wider Subsea 7 S.A. group. The results for the Subsea 7 S.A. group are contained within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A., which can be found at www.subsea7.com.

The Financial Statements of the Company for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors on 29 July 2020. The Company is a limited company incorporated and domiciled in the United Kingdom. The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

Basis of preparation
These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. In line with 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980)' the Company has chosen to adapt the formats of the Balance Sheet and Statement of Comprehensive Income and has applied the relevant presentation requirements of IAS 1 'Presentation of Financial Statements'.

The Financial Statements are presented in United States Dollars ($) which is the Company's functional and presentation currency, being the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand dollars ($000) except when otherwise indicated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

(a) the requirements of IAS 7 'Statement of Cash Flows';

(b) the requirements of paragraph 17 and 18A of IAS 24 'Related Party Disclosures'; (requirement to disclose key management personnel compensation)

(c) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'; (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)

(d) the requirements in 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 is a party to the transaction is wholly-owned by such a member;

(e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
   (i) paragraph 79(a)(iv) of IAS 1; (a reconciliation of the number of shares outstanding at the beginning and end of the period)

(f) the following paragraphs of IAS 1 'Presentation of Financial Statements':
   - 10(d) ('Statement of Cash Flows');
   - 16 (statement of compliance with IFRS);
   - 38A (requirement for minimum of two primary statements, including cash flow statements),
   - 38B-38D (additional comparative information);
   - 40A-40D (requirements for a third statement of financial position);
   - 111 (cash flow statement information); and

(g) the requirements of paragraphs 130(f)(ii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets'; (assumptions involved in estimating recoverable amounts of cash generating units containing goodwill or intangible assets with indefinite useful lives and Management's approach to determining these amounts).

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

1 General information (continued)

Going concern
As the global economy is impacted by the unprecedented health and economic crisis following the outbreak of the Covid-19 pandemic, management continues to monitor the potential operational and financial impacts for the Company. In addition, the simultaneous increase in production by major oil producers and the unprecedented reduction in demand for energy has led to a significant imbalance in the oil and gas markets. The situation for the Company and the Group remains uncertain in terms of timescale and impact.

The outlook for the Company, as part of the Group, has changed significantly as a result of the impact of the Covid-19 pandemic on demand for energy and the price of oil. The Group is now preparing for a downturn in SURF and Conventional activity as clients focus on reducing capital expenditure budgets. This will have an impact on the pace of new awards and may affect the phasing of execution of recent contract wins. These factors will adversely impact both revenue and EBITDA of the Group. Delayed execution of higher-margin contracts which were due to start later in 2020 are expected to have an impact on the EBITDA for the SURF and Conventional business. The outlook for Renewables is more positive due to a diverse range of clients, many of which are not impacted by low oil prices and have not needed to make material cuts to near-term investment plans. While, in the short term, competition for these contracts is high, clients remain committed to clean energy initiatives and the offshore wind market continues to be viewed as a source of sustainable, profitable growth for the Group in the longer term.

The Group has a strong Balance Sheet with significant cash balances. At 31 March 2020, the Group had cash and cash equivalents of $340.0 million and total borrowings of $228.0 million. The Group has $656.0 million available and undrawn against its multi-currency revolving credit and guarantee facility, which has an expiry date of 4 September 2023. In addition, during April 2020 the Group finalised a new Euro Commercial Paper programme equivalent to $740.0 million to further diversify sources of liquidity. Furthermore, management believes the Group has continued access to the debt capital markets and other funding sources as a result of the strength of its Balance Sheet. Should additional funding be required, management consider that it will be possible to secure new funding through the issuance of new debt instruments or the arrangement of additional bank facilities.

The Company had net assets of $0.4 billion (2018: $1.4 billion) at 31 December 2019. The net asset position is comprised primarily of trade and other receivables of $2.4 billion (2018: $3.0 billion), non-current amounts due from group undertakings of $0.8 billion (2018: $2.1 billion) and trade and other liabilities of $3.0 billion (2018: $4.2 billion). A large proportion of the Company's receivable balances are held with fellow group undertakings. An impairment review has been performed on these balances and no impairment has been recognised. Due to the significant financial resources of the Group, the Directors consider the balances to be recoverable.

Due to the projected reduction in EBITDA of the Group in the short to medium term, management has taken measures to reduce costs. A restructuring programme will see a reduction in workforce across the Group split between both non-permanent and permanent personnel. In addition, the Group's active vessel fleet will be reduced over the next 12 months. The aim is to achieve annualised reduction in the Group's cash costs of approximately $400.0 million by the end of the second quarter of 2021. Capital investment plans for 2020 to 2022 have also been reduced significantly.

Despite the projected reduction in EBITDA of the Group, revised forecasts continue to demonstrate that the Group will generate cash flows from operations more than sufficient to support the assumption that the Group can continue as a going concern. Management have performed stress tests of future cash flow forecasts to evaluate the impact of plausible downside scenarios. These include scenarios which reflect extended periods of low oil prices and potential operational and Covid-19 related issues which could adversely impact the Group. Management has also performed reverse stress testing through modelling of anticipated reasonable worst-case scenarios. In all scenarios, the Group identified no forecast breaches of banking covenants and sufficient liquidity.

Management consider that the going concern assumption remains appropriate for the Company. Despite the uncertainty regarding the potential impacts of the Covid-19 pandemic and the associated imbalance in the energy market, management consider that there are no significant doubts over the application of the going concern assumption and no disclosable material uncertainties which cast doubt upon the Company's ability to continue as a going concern.

2 Adoption of new accounting standards

In 2019 the Company applied IFRS 16 'Leases' for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard are described below. Several other amendments were applied for the first time in 2019 but did not have an impact on the Financial Statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 'Leases'
IFRS 16 replaces IAS 17 'Leases' and establishes new recognition, measurement and disclosure requirements for both parties to a lease contract. IFRS 16 was effective for reporting periods beginning on or after 1 January 2019. The Company adopted IFRS 16 on 1 January 2019 using the modified retrospective approach and did not restate comparative information.

Under IFRS 16 a lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of a lease as either an operating lease or a finance lease for lessees and introduces a single model for all leases with the exception of leases for low-value assets or for periods of twelve months or less.

The new requirements result in significant changes to the accounting model applied by lessees, however lessor accounting remains, in substance, unchanged. Where leases were previously accounted for as operating leases there are significant changes. The single model requires lessees to recognise most leases within the Balance Sheet as lease liabilities. A corresponding right-of-use asset is recognised which represents the contractual right to use the leased asset for a period.

There has been no impact on the Balance Sheet as a result of the introduction of IFRS 16.

3 Significant accounting policies

These accounting policies should be read in conjunction with the information contained within Note 2 'Adoption of new accounting standards'.

Financial instruments
The Company's financial assets include cash and short-term deposits, trade and other receivables, other receivables and derivative financial instruments which are classified as other financial assets. The Company's financial liabilities include amounts due to group undertakings and derivative financial instruments.

Initial measurement is based upon one of four IFRS 9 'Financial Instruments' models: amortised cost; fair value through profit and loss (FVPL); fair value through other comprehensive income (with recycling of accumulated gains and losses) or fair value through other comprehensive income (without recycling of accumulated gains and losses).

Classification and subsequent measurement is dependent upon the business model under which the Company holds and manages the financial assets; and whether the contractual cash flows resulting from the instrument represent 'solely payments of principal and interest' (the 'SPPI' criterion').

All financial assets are classified at initial recognition and are initially measured at fair value net of transaction costs, with the exception of those classified as FVPL. Classification as amortised cost is applicable where the instruments are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows and the cash flows resulting from the instrument consist solely of principal and interest. Debt financial assets are subsequently measured at FVPL, amortised cost or fair value through other comprehensive income (FVOCI) depending on classification.

All financial liabilities are classified at initial recognition and are initially measured at fair value net of transaction costs, with the exception of those classified as FVPL. Financial liabilities are measured at FVPL when they meet the definition of held for trading or when they are designated as such on initial recognition. Otherwise, financial liabilities are measured at amortised cost.

3 Significant accounting policies (continued)

The Company enters into forward foreign currency contracts, in order to manage its foreign currency exposures; these are measured at FVPL. The fair values of derivative financial instruments are measured on bid prices for assets held and offer prices for issued liabilities based on values quoted in active markets. Changes in the fair value of derivative financial instruments which do not qualify for hedge accounting are recognised in the Statement of Comprehensive Income within other gains and losses.

Cash and cash equivalents comprise cash at bank, cash on hand, money market funds, and short-term highly liquid assets with an original maturity of three months or less and readily convertible to known amounts of cash. Cash and cash equivalents are measured at amortised cost.

Impairment of financial assets
The Company applies the expected credit loss (ECL) impairment model to record allowances for expected credit losses. The expected credit loss model applies to all debt financial assets accounted for in accordance with IFRS 9 'Financial Instruments'.

For other debt financial assets, the allowance for ECLs is calculated on a 12-month basis and is based on the portion of ECLs expected to result from default events possible within 12 months of the reporting date. The Company monitors for significant changes in credit risk and where this is materially different to ECLs calculated on a 12-month basis changes the allowance to reflect the risk of expected default in the contractual lifetime of the financial asset. Unless there is a valid mitigating factor, the Company considers there to have been a significant increase in credit risk when contractual payments are more than 30 days past the due date for payment.

At each Balance Sheet date, the Company assesses whether any indicators exist that a financial asset or group of financial assets has become credit impaired. Where an asset is considered to be credit impaired a specific allowance is recognised based on the actual cash flows that the Group expects to receive and is determined using historical credit loss experience and forward-looking factors specific to the counterparty and the economic environment. Any shortfall is discounted at the original effective interest rate for the relevant asset.

Except where there are valid mitigating factors, the Company considers a financial asset in default when contractual payments are 90 days past the due date for payment. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

Borrowings and lendings
Borrowings and lendings, including both loans receivable and payable are recognised initially at fair value, net of transaction costs incurred. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the EIR method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included within operating expenses in the Statement of Comprehensive Income.

Fees on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period to which it relates.

Dividends
Dividends are measured at the fair value of consideration received or receivable. Dividends are recognised when the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

3 Significant accounting policies (continued)

Foreign currency translation
Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

At 31 December 2019 the main exchange rates used throughout the Company, compared to the United States Dollar, were as follows:

GBP	0.770
EUR	0.903
NOK	8.977

Taxation
Taxation expense or income recorded in the Statement of Comprehensive Income represents the sum of current tax and deferred tax charge or credit for the year.

Current tax
Current tax is based on the taxable income for the year, together with any adjustments to tax payable in respect of prior years. Taxable income differs from income before taxes as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other periods and further excludes items that are never taxable or deductible. The tax laws and rates used to compute the amount of current tax payable are those that are enacted or substantively enacted at the Balance Sheet date.

Current tax assets or liabilities are representative of taxes being owed by, or owing to, local tax authorities. In determining current tax assets or liabilities, the Company takes into account the impact of uncertain tax treatments and whether additional taxes or penalties may be due.

4 Judgement and key sources of estimation uncertainty

In the application of the Company's accounting policies which are described in Note 3 'Significant accounting policies', Management is required to make judgements, estimates and assumptions regarding 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 assumptions that the Company believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised prospectively in the period in which the estimate is revised.

Interest receivable on finance activities
The Company's main source of income consists of interest receivable from the provision of funding via a working capital facility to other group companies. Interest receivable is recognised using the effective interest rate by reference to principal amounts of finance provided and applicable interest rates.

Fair value of derivatives and other financial instruments
As described in Note 19 'Financial instruments', management uses its judgement in selecting an appropriate valuation technique for financial instruments not quoted on an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. Details of the assumptions used and of the results of sensitivity analyses regarding these assumptions are provided in Note 19 'Financial instruments'.

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

5 Interest income

Interest income by activity
Interest income is generated from the provision of services. Interest income recognised in the Statement of Comprehensive Income is analysed as follows:

	2019 $000	2018 $000
Treasury management and provision of finance	**222,294**	285,217

Treasury management and provision of finance
Interest income relates to the performance of treasury functions on behalf of the Subsea 7 S.A. group including the provision of internal finance and foreign exchange dealing.

6 Net operating income

Net operating income is stated after charging:

	2019 $000	2018 $000
Interest expense on current amounts due to group undertakings	**58,051**	72,424
Interest expense on non-current amounts due to group undertakings	**31,698**	57,811

7 Auditors' remuneration

During the year, fees payable to the Company's auditors for the audit of the Company's Financial Statements were $18,600 (2018: $16,300). This amount was borne by another Subsea 7 S.A. group company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Annual Report and Consolidated Financial Statements of its ultimate parent, Subsea 7 S.A.

8 Employees

During the year ended 31 December 2019 and 31 December 2018, the Company did not have any employees.

9 Directors' remuneration

The Directors of the Company are employed by and receive remuneration from fellow subsidiary undertakings. Aggregate remuneration paid to four (2018: four) Directors of the Company for services provided to multiple companies within the Group is shown below:

	2019 $000	2018 $000
Aggregate remuneration	**2,098**	2,665
Aggregate amount received on Long-term Incentive Plan	**494**	602
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	**3**	3
Company pension contributions to defined contribution schemes	**157**	157
Total	**2,752**	3,427

Retirement benefits are accruing to four (2018: four) Directors under defined contribution schemes. Four (2018: four) Directors received shares under share schemes during the year.

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

9 Directors' remuneration (continued)

Highest paid Director
The remuneration of the highest paid Director, including gains made under long-term incentive schemes, was $1,040,000 (2018: $1,301,000), including Company pension contributions to defined contribution schemes of $46,000 (2018: $48,000).

10 Other gains and losses

	2019 $000	2018 $000
Net gain/(loss) on derivative financial instruments	**7,976**	(4,041)
Net foreign currency exchange (losses)/gains	**(14,096)**	44,436
Total	**(6,120)**	40,395

11 Taxation

Tax charged in the Statement of Comprehensive Income is disclosed as follows:	2019 $000	2018 $000
Current tax:		
UK corporation tax	**21,633**	36,524
Foreign tax	**828**	232
Current tax	**22,461**	36,756
Amounts under provided in previous years	**257**	5,908
Taxation expense reported in the Statement of Comprehensive Income	**22,718**	42,664

The tax on the Company's net income before taxation differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK as follows:

	2019 $000	2018 $000
Net income before taxation	**121,194**	191,444
Tax on ordinary activities at the standard UK rate of 19% (2018: 19%)	**23,027**	36,374
Effects of:		
Expenses not deductible for tax purposes	**202**	1,256
Income not taxable	**(768)**	(875)
Foreign taxes	**-**	1
Tax under provided in previous years	**257**	5,908
Taxation expense reported in the Statement of Comprehensive Income	**22,718**	42,664

Change in corporation tax rate
The UK corporation tax rate is 19% for the year ended 31 December 2019. It was previously announced that the rate would be reduced to 17% effective 1 April 2020. Subsequent to that it was announced that the rate would be maintained at 19% for the financial years beginning 1 April 2020 and 1 April 2021. The rate used is dependent on the expected timing of any reversals of timing/temporary differences. The tax charge for the current year is different to the standard rate for the reasons set out in the reconciliation.

12 Dividends

During the year a dividend of $575.6 million was declared and settlement made (2018: nil). This is equivalent to a dividend of $705 per share.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

13 Interests in subsidiary undertakings, joint ventures and associates

Interests comprise equity shares in a number of entities, none of which are publicly traded.

Interests

	2019 $000	2018 $000
At 1 January 2019	-	-
Additions	514,424	-
Disposals	(514,424)	-
At 31 December 2019	-	-

Additions and disposals

On 27 August 2019, the Company subscribed for 813,793 issued shares in Acergy B.V., a fellow group undertaking, the consideration being the settlement of the loan note receivable of $514.4 million from Acergy B.V. Immediately thereafter, on 28 August 2019, the Company undertook a capital reduction of $514.4 million, settled through the transfer of 813,793 shares in Acergy B.V. to the Company's immediate parent company, Subsea 7 International Holdings (UK) Limited.

14 Advances and receivables

	2019 $000	2018 $000
Capitalised fees for long-term loan facilities	-	292
Non-current amounts due from group undertakings	800,000	2,075,553
Total	**800,000**	2,075,845

Capitalised fees for long-term loan facilities

These comprise fees capitalised in relation to a facility held by a fellow group undertaking. The fees were capitalised in the Company in accordance with an agreement entered into with Subsea 7 Finance (UK) Plc and are being amortised over the life of the facility.

Non-current amounts due from group undertakings

In a prior year the Company entered into an unsecured loan agreement with Subsea 7 International Holdings (UK) Limited, a fellow group undertaking, relating to the sale of its entire holding in Subsea 7 Holdings (UK) Limited. The loan was originally for a value of $2.5 billion. In April 2018, March 2019 and April 2019, Subsea 7 International Holdings (UK) Limited undertook partial settlements of $450.0 million, $700.0 million and $575.6 million respectively against the unsecured loan agreement held with the Company. The loan bears interest at a rate of LIBOR plus 5.5% per annum with interest payable monthly in arrears commencing 12 months from 13 June 2016. The principal amount is repayable on 13 June 2021.

15 Trade and other receivables

	2019 $000	2018 $000
Amounts due from joint ventures and associates of the group	1,242	2,754
Amounts due from group undertakings	1,855,592	1,663,722
Loans receivable from group undertakings	577,290	1,277,290
Other taxes receivable	213	188
Other current receivables	22	6,829
Total	**2,434,359**	2,950,783

15 Trade and other receivables (continued)

The fair value of trade and other receivables approximate their carrying values due to the short period of time to maturity. Details of the Company's trade receivables balance, allowances for expected credit losses and allowances for credit impairment are shown in Note 19 'Financial Instruments'.

Amounts due from group undertakings include amounts due from subsidiaries and other companies forming part of the Subsea 7 S.A. group. Amounts due from group undertakings that are party to the centralised Working Capital Agreement are unsecured, earn interest at a rate of LIBOR plus 3.45% per annum, have no fixed date of repayment and are repayable on demand.

Allowances for expected credit losses are not applied to receivable balances due from group undertakings, associates or joint ventures of the group. Due to their nature the likelihood of default is low. Any known exposure to credit risk will result in an allowance for credit impairment being recognised.

The loan with Subsea 7 Senior Holdings (UK) Limited for an original value of $1.3 billion, originally repayable on 10 July 2019, was extended to become repayable on 10 July 2020. During December 2019, Subsea 7 Senior Holdings (UK) Limited undertook a partial settlement of $700.0 million against the unsecured loan agreement held with the Company and on 30 June 2020 settlement of the final balance of $577.3 million was undertaken.

Other taxes receivable relates to withholding tax, corporate tax and social security.

Other current receivables include accrued interest on short-term cash deposits.

16 Other accrued income and prepaid expenses

	2019 **$000**	2018 $000
Capitalised fees for long-term facilities – short-term	**291**	520

17 Cash and cash equivalents

	2019 **$000**	2018 $000
Cash	**78,669**	97,958
Short-term deposits	**102,432**	470,889
Total	**181,101**	568,847

Short-term bank deposits have an average maturity of less than three months.

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

18 Issued share capital

The Company's allotted, called up and fully paid share capital is as follows:

	2019 $000
Allotted, called up and fully paid	
Ordinary shares of £1 each	**1,372**

	2019 No.
Allotted, called up and fully paid	
At 1 January	**817,004**
At 31 December 2019	**817,004**

All allotted shares have equal voting rights and equal rights to dividends.

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

19 Financial instruments

Significant accounting policies
Details of significant accounting policies adopted including the basis of measurement and recognition of income and expense in respect of each class of financial asset and financial liabilities are disclosed in Note 3 'Significant accounting policies'.

The Company's financial instruments are classified as follows:

	2019 $000	2018 $000
Financial assets		
Cash and cash equivalents	**181,101**	568,847
Financial assets mandatorily measured at fair value through profit or loss:		
Derivative financial instruments – current	**1,378**	7,557
Derivative financial instruments – non-current	**52**	-
Financial assets measured at fair value through profit or loss:		
Other financial assets – financial investments	**-**	15,929
Financial assets measured at amortised cost:		
Non-current amounts due from group undertakings	**800,000**	2,075,553
Current amounts due from joint ventures and associates of the group	**1,242**	2,754
Current amounts due from group undertakings	**1,855,592**	1,663,722
Loans receivable from group undertakings	**577,290**	1,277,290
Other current receivables	**22**	6,829
Financial liabilities		
Financial liabilities measured at fair value through profit or loss:		
Derivative financial instruments – current	**(5,221)**	(1,934)
Derivative financial instruments – non-current	**(997)**	(2,435)
Financial liabilities measured at amortised cost:		
Current amounts due to group undertakings	**(2,982,071)**	(2,683,202)
Loans payable to group undertakings	**-**	(1,500,000)

Fair value measurement
The fair value of financial assets and liabilities carried at amortised cost approximate their carrying values due to the short period of time to maturity.

Financial instruments - gains and losses recognised within profit or loss
The Company's financial instruments resulted in the recognition of the following in the Statement of Comprehensive Income:

	2019 $000	2018 $000
Interest income from financial assets measured at amortised cost	**222,294**	285,217
Net fair value losses on financial assets measured at fair value through profit or loss	**6,127**	2,599
Net fair value losses on financial liabilities measured at fair value through profit or loss	**1,849**	1,179

19 Financial instruments (continued)

Financial instruments mandatorily measured at fair value through profit or loss
The Company classifies its financial assets at fair value through profit or loss if it is classified as one of the following:
- debt instruments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income
- equity investments that are held for trading
- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income

The Company does not have any embedded foreign currency derivatives.

Financial instruments measured at fair value through profit or loss
Financial assets at fair value through profit or loss comprise investments in quoted securities which the Company expects to divest within 12 months of the Balance Sheet date. As the investments are non-strategic in nature, changes in fair value have been recognised in profit or loss.

Financial assets measured at amortised cost
The Company classifies its financial assets as amortised cost only if both of the following criteria are met: the asset is held within a business model with the objective of collecting the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial risk management objectives
The Company monitors and manages the financial risks relating to its financial operations through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (consisting of currency risk and fair value interest rate risk), credit risk and liquidity risk. The Company seeks to minimise the effects of these risks by using a variety of financial instruments to hedge these financial risk exposures. Derivative financial instruments are used exclusively for hedging purposes and not as trading or speculative instruments. The Company does not currently apply hedge accounting.

Market risk
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company, via the Group's centralised treasury function, enters into a variety of derivative financial instruments to manage its exposure to foreign currency risks, including forward foreign exchange contracts to hedge the exchange rate risk rising on future revenues, operating expenditures and capital expenditure. In the year ended 31 December 2019, there was no significant change to the Company's exposure to market risks or the manner in which it managed and measured the risk.

Foreign currency risk
The Company conducts operations in many countries and, as a result, is exposed to currency fluctuations related to revenue and expenditure in the normal course of business. The Company applies wider risk management policies that the Group has in place that seek to limit the adverse effects of fluctuations in foreign currency exchange rates on its financial performance.

The Company's reporting currency is the US Dollar. Revenue and operating expenses are principally denominated in the reporting currency of the Group. The Group also has significant operations denominated in British Pound Sterling and Euro as well as other cash flows in Angolan Kwanza, Australian Dollar, Brazilian Real, Canadian Dollar, Danish Krone, Egyptian Pound, Ghanaian Cedi, Malaysian Ringgit, Mexican Peso, Nigerian Naira, Norwegian Krone, Saudi Arabian Riyal, Singaporean Dollar and UAE Dirham.

Foreign currency sensitivity analysis
The Company considers that its principal currency exposure is to movements in the US Dollar against other currencies. The US Dollar is the Company's reporting currency, the functional currency of many of its fellow group undertakings and the currency of a significant volume of the Company's cash flows.

19 Financial instruments (continued)

At 31 December 2019 the Company performed a sensitivity analysis to indicate the extent to which net income and equity would be affected by changes in the exchange rate between the US Dollar and other currencies in which the Company transacts. The analysis is based on a strengthening of the US Dollar by 10% against each of the other currencies in which the Company has significant assets and liabilities at the end of each respective period. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a three to five-year timeframe. The Company's analysis of the impact on net income in each year is based on monetary assets and liabilities in the Balance Sheet at the end of each respective year.

A 10% strengthening in the US Dollar exchange rate against other currencies in which the Company transacts would increase net foreign currency exchange gains reported in other gains and losses by $2.0 million for the year ended 31 December 2019 (2018: $19.6 million). The impact would be a decrease in reported equity of $2.0 million (2018: increase of $19.6 million).

Forward foreign exchange contracts

The Company, via the Group's centralised treasury function primarily enters into forward foreign exchange contracts with maturities of up to three years, to manage the risk associated with transactions with a foreign exchange exposure risk. These transactions consist of highly probable cash flow exposures relating to revenue, operating expenditure and capital expenditure.

The following table details the external forward foreign exchange contracts outstanding:

At 31 December 2019

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $000)	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	49,292	1,924	165,724	-	(228)	(124)
Danish Krone	25,288	1,005	-	-	(760)	(118)
Euro	71,503	6,488	65,947	-	(2,279)	(737)
Norwegian Krone	19,356	129	8,355	-	(118)	(18)
Singapore Dollar	20,107	-	-	-	111	-
Australian Dollar	-	-	69,914	-	(517)	-
Total	**185,546**	**9,546**	**309,940**	**-**	**(3,791)**	**(997)**

At 31 December 2018

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $000)	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	5,079	11,254	316,712	-	3,768	(785)
Canadian Dollar	-	-	1,855	-	12	-
Danish Krone	39,814	7,226	-	-	(140)	(323)
Euro	64,769	31,164	-	-	(1,296)	(1,293)
Norwegian Krone	1,107	475	126,170	-	2,151	(34)
Singapore Dollar	5,102	-	-	-	(8)	-
Australian Dollar	-	-	59,360	-	1,136	-
Total	115,871	50,119	504,097	-	5,623	(2,435)

19 Financial instruments (continued)

Interest rate risk management

The Company, via the Group's centralised treasury function, places surplus funds in the money markets to generate an investment return for a range of maturities (generally less than six months) ensuring a high level of liquidity and reducing the credit risk associated with the deposits. Changes in the interest rates associated with these deposits will impact the interest income generated.

Interest rate sensitivity analysis

A 1% increase in interest rates would not have a significant impact on the Company's finance cost or income due to the net cash position the Company held throughout these periods.

Credit risk management

Credit risk refers to the risk that a customer or counterparty to a financial instrument will default on its contractual obligations and fail to make payment as obligations fall due resulting in financial loss to the Company. Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, trade and other receivables and derivative financial instruments. The maximum exposure of the Company to credit-related loss of financial instruments is the aggregate of the carrying amount of the financial assets as summarised on page 25.

Financial instruments and cash deposits

The Company, via the Group's centralised treasury function, has adopted a policy of transacting with creditworthy financial institutions as a means of mitigating the risk of financial loss from defaults. Credit ratings are supplied by independent rating agencies. The Company's exposure and the credit ratings of its counterparties are continually monitored and the aggregate value of transactions undertaken is distributed among approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved on an annual basis and are monitored daily. The Company uses credit ratings as well as other publicly available financial information and its own trading records to rate its major counterparties.

The Company considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties. Where applicable impairment of cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures.

Expected credit loss assessment for financial assets

Allowances are recognised as required under the IFRS 9 impairment model and continue to be carried until there are indicators that there is no reasonable expectation of recovery.

In determining expected credit losses, financial assets with the same counterparty are grouped and where appropriate expected credit losses are measured on a collective basis. In determining the level of allowance, the Company uses an internal credit risk grading framework and applies judgement based on a variety of data in order to predict the likely risk of default.

The Company defines default as full or partial non-payment of contractual cash flows. The determination of expected credit losses is derived from historical and forward-looking information which includes external ratings, audited Financial Statements and other publicly available information about customers. Determination of the level of expected credit loss incorporates a review of factors which can be indicative of default, including the nature of the counterparty (i.e. oil and gas companies, international oil and gas companies or independent oil and gas companies) and the individual industry sectors in which the counterparty operates.

The majority of the Company's financial assets are expected to have a low risk of default. A review of the historical occurrence of credit losses indicates that credit losses are insignificant due to the size of the Company's customers and the nature of the services provided. As lifetime expected credit losses are not expected to be significant the Company has opted not to adopt the practical expedient available under IFRS 9 to utilise a provision matrix for the recognition of lifetime expected credit losses on trade receivables. Allowances are calculated on a case-by-case basis based on the credit risk applicable to individual counterparties.

19 Financial instruments (continued)

Expected credit loss assessment for financial assets (continued)
Allowances for expected credit losses are not applied to receivable balances due from group undertakings, associates or joint ventures of the group. Due to their nature the likelihood of default is low. Any known exposure to credit risk will result in an allowance for credit impairment being recognised.

Exposure to credit risk is continually monitored in order to identify financial assets which experience a significant change in credit risk. In assessing for significant changes in credit risk the Company makes use of operational simplifications permitted by IFRS 9. The Company considers a financial asset to have low credit risk if the asset has a low risk of default; the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term; and no adverse changes in economic or business conditions have been identified which in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Where a financial asset becomes more than 30 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if a change in the exposure to credit risk has occurred.

Should a significant change in the exposure to credit risk be identified the allowance for expected credit losses is increased to reflect the risk of expected default in the lifetime of the financial asset. The Company continually monitors for indications that a financial asset has become credit impaired with an allowance for credit impairment recognised when the loss is incurred. Where a financial asset becomes more than 90 days past its due date additional procedures are performed to determine the reasons for non-payment in order to identify if the asset has become credit impaired.

The Company considers an asset to be credit impaired once there is evidence that a loss has been incurred. In addition to recognising an allowance for expected credit loss, the Company monitors for the occurrence of events that have a detrimental impact on the recoverability of financial assets. Evidence of credit impairment includes, but is not limited to, indications of significant financial difficulty of the counterparty, a breach of contract or failure to adhere to payment terms, bankruptcy or financial reorganisation of a counterparty or the disappearance of an active market for the financial asset. A financial asset is only written off when there is no reasonable expectation of recovery.

Amounts due from joint ventures of the Group

	2019 $000	2018 $000
Gross carrying amount	**1,242**	2,754
Provision for impairment of receivables	-	-
Allowance for incurred credit impairments	-	-
Net carrying amount	**1,242**	2,754

The table below provides an analysis of the age of amounts due from joint ventures of the Group at the Balance Sheet date. This includes details of those joint ventures of the Group which are past due at the end of the reporting period, but not impaired, and joint ventures of the Group which are individually determined to be impaired at the end of the reporting period.

At 31 December 2019

(in $000)	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Gross carrying amount	**1,242**	-	-	-	**1,242**
Allowance for credit impairments	-	-	-	-	-
Net carrying amount	**1,242**	-	-	-	**1,242**

Liquidity risk management
The Company has a framework for the management of short, medium and long-term funding and liquidity management requirements. The Company continually monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities. Liquidity risk is managed via the Group's centralised treasury function by maintaining adequate cash and cash equivalent balances and by ensuring available borrowing facilities are in place.

Notes to the Financial Statements (continued)

for the year ended 31 December 2019

19 Financial instruments (continued)

Liquidity tables

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been prepared based on the undiscounted cash flows relating to financial liabilities based on the earliest date on which the payment can be required. Principal cash flows are as follows:

At 31 December 2019

(in $000)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Current amounts due to group undertakings	**2,982,071**	**-**	**-**	**-**	**2,982,071**
Loans payable to group undertakings	**-**	**-**	**-**	**-**	**-**
Total	**2,982,071**	**-**	**-**	**-**	**2,982,071**

At 31 December 2018

(in $000)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Current amounts due to group undertakings	2,683,202	-	-	-	2,683,202
Loans payable to group undertakings	-	-	1,500,000	-	1,500,000
Total	2,683,202	-	1,500,000	-	4,183,202

The following table details the Company's liquidity profile for its derivative financial instruments. The table has been prepared based on the undiscounted net cash payments and receipts on the derivative instruments that settle on a net basis and the undiscounted gross payments and receipts on those derivative financial instruments that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the Balance Sheet date.

At 31 December 2019

(in $000)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Gross settled:					
Foreign exchange forward contract payments	**193,403**	**8,059**	**35,351**	**10,816**	**247,629**
Foreign exchange forward contract receipts	**(191,971)**	**(7,309)**	**(32,585)**	**(9,546)**	**(241,411)**
Total	**1,432**	**750**	**2,766**	**1,270**	**6,218**

At 31 December 2018

(in $000)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Gross settled:					
Foreign exchange forward contract payments	80,678	6,420	35,061	52,452	174,612
Foreign exchange forward contract receipts	(80,521)	(6,104)	(33,581)	(50,120)	(170,327)
Total	157	316	1,480	2,332	4,285

Notes to the Financial Statements (continued)
for the year ended 31 December 2019

19 Financial instruments (continued)

Capital risk management
The Group, on behalf of the Company, manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders of the parent company.

The Group, on behalf of the Company, monitors its capital structure using a debt service ratio of net debt to Adjusted EBITDA. Effective 1 January 2019, the debt service ratio has been revised following the implementation of IFRS 16; the ratio now calculates net debt as the principal value of borrowings, lease liabilities less cash and cash equivalents.

Fair value measurement
Assets and liabilities which are measured at fair value in the Balance Sheet and their level of the fair value hierarchy were as follows:

	2019	2018
	$000	$000
	Level 2	Level 2
Recurring fair value measurements		
Financial assets:		
Financial assets at fair value through profit or loss – derivative instruments	**1,430**	7,557
Financial liabilities:		
Financial liabilities at fair value through profit or loss – derivative instruments	**(6,218)**	(4,369)

During the year ended 31 December 2019 there were no transfers between levels of the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy from the date of the event or change in circumstance that caused the transfer.

Recurring fair value measurements
Financial assets and financial liabilities
The fair values for financial assets and financial liabilities which are remeasured to fair value on a recurring basis are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- the fair value of other financial assets classified as current assets, which includes quoted securities, is determined using quoted prices.

Fair value hierarchy
The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

20 Trade and other liabilities

	2019 $000	2018 $000
Amounts due to group undertakings	**2,982,071**	2,683,202
Loans payable to group undertakings	**-**	1,500,000
Taxation and social security	**2,772**	2,507
Other current payables	**424**	-
Total	**2,985,267**	4,185,709

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other current payables are non-interest bearing and have an average term of six months.

The fair value of trade and other liabilities approximate their carrying values due to the short period of time to maturity.

Amounts due to group undertakings include amounts due to subsidiaries and other companies forming part of the Subsea 7 S.A. group. Amounts due to group undertakings that are party to the centralised Working Capital Agreement are unsecured, incur interest at a rate of LIBOR plus 1.00% per annum, have no fixed date of repayment and are repayable on demand.

Amounts due to group undertakings whose balances are not party to the Working Capital Agreement are cash-settled, unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Taxation and social security include withholding tax on settlement of interest expense charges from certain group undertakings.

Other current payables include a portion of legal fee refunds payable which are held on behalf of another group undertaking.

21 Post Balance Sheet events

On 2 January 2020, the Company issued loan notes totalling $51.7 million to a fellow group undertaking, Tartaruga Insurance Limited. The term of each of the unsecured loan notes is between two and five years, with the final loan note redemption due on 3 January 2025.

On 29 February 2020, Subsea 7 International Holdings (UK) Limited undertook a partial settlement of $400.0 million against the unsecured loan agreement held with the Company. The loan was originally for a value of $2.5 billion and the remaining amount of $800.0 million is repayable on 13 June 2021.

On 30 June 2020, Subsea 7 Senior Holdings (UK) Limited undertook settlement of the $577.3 million unsecured loan agreement held with the Company. The loan was originally for a value of $1.3 billion and partial settlement of $700.0 million was undertaken in December 2019.

The Financial Statements have been prepared based on conditions existing at 31 December 2019, including those events occurring subsequent to that date which provide evidence of conditions that existed at the end of the reporting period. The Covid-19 outbreak was declared a pandemic by the World Health Organisation during March 2020. The pandemic and the response of the United Kingdom Government in dealing with the pandemic is impacting general activity levels, the economy and the operations of the Company. The scale and duration of the impact of the pandemic remain uncertain at the date of this report, however it is expected that they will have an adverse impact on the Financial Statements of the Company during 2020 and potentially in future periods. At the date of this report, the Directors do not consider it is practical to provide a meaningful quantitative or qualitative estimate of the potential impact of the pandemic on the Company. The pandemic is considered an event which is indicative of conditions which arose after the reporting period and as such no adjustments have been made to the Financial Statements as at 31 December 2019 due to the impact of the pandemic.

21 Post Balance Sheet events (continued)

The outlook for the Company, as part of the Group, has changed significantly as a result of the impact of the pandemic on demand for energy and the price of oil. The Group is now preparing for a downturn in activity as clients focus on reducing capital expenditure budgets. Due to a projected reduction in EBITDA of the Group in the short to medium term, management has taken measures to reduce costs. A restructuring programme will see a reduction in workforce across the Group split between both non-permanent and permanent personnel. In addition, the Group's active vessel fleet will be reduced over the next 12 months. The aim is to achieve annualised reduction in the Group's cash costs of approximately $400.0 million by the end of the second quarter of 2021. Capital investment plans for 2020 to 2022 have also been reduced significantly.

In April 2020, the Group finalised a Euro Commercial Paper programme equivalent to $740.0 million in order to diversify the Group's sources of liquidity. In June 2020, the Group extended its $656.0 million multi-currency revolving credit and guarantee facility, which is now due to mature on 4 September 2023.

22 Ultimate and immediate parent undertaking and controlling party

The immediate parent undertaking of the Company is Subsea 7 International Holdings (UK) Limited, a company registered in England.

The Company's ultimate parent undertaking and controlling party at 31 December 2019 is Subsea 7 S.A. The largest (and smallest) group which includes these Financial Statements in their consolidation is the Subsea 7 S.A. group. The Annual Report and Consolidated Financial Statements of Subsea 7 S.A. can be obtained from the address below or at www.subsea7.com.

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