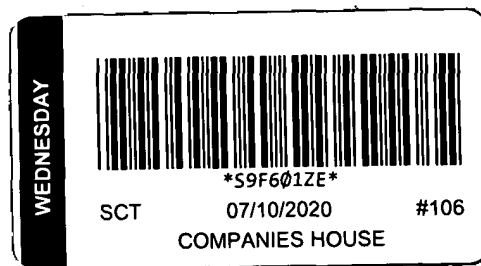


**Subsea 7 (UK Service Company) Limited**

**Report and Financial Statements**

**For the year ended 31 December 2019**

Registered Number SC228749 (Scotland)



**Report and Financial Statements  
for the year ended 31 December 2019**

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**Subsea 7 (UK Service Company) Limited**

**Registered No. SC228749**

**Directors and Other Information  
for the year ended 31 December 2019**

**Directors**

Nathalie Louys

Katherine Lyne (appointed 30 September 2019)

Ricardo Rosa

Phillip Simons (appointed 1 July 2020)

Keith Tipson (resigned 30 September 2019)

Douglas Young

**Company Secretary**

Lorna Peace

**Registered Office**

East Campus

Prospect Road

Arnhall Business Park

Westhill

Aberdeenshire

AB32 6FE

**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 (UK Service Company) 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. 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](http://www.subsea7.com).

**Review of the business**

The principal activity of the Company is to provide personnel, consultancy and management services to other Subsea 7 S.A. group undertakings.

Revenue for the year ended 31 December 2019 was £200.1 million compared to £200.2 million for the year ended 31 December 2018.

Net operating income for the year ended 31 December 2019 was £2.6 million compared to £6.3 million in 2018. The operating margin (net operating income as a percentage of revenue) was 1.3% in 2019 compared to 3.1% in 2018. The performance of the Company is consistent with expectations.

The total comprehensive income for the year was £1.3 million (2018: £5.4 million). The Directors do not recommend the payment of a dividend for the year.

At 31 December 2019, the Company had total assets of £160.4 million (2018: £174.2 million) and a net current asset position of £34.7 million (2018: £33.9 million).

During the year ended December 2019 the Company received a dividend of £150,000 from Thames International Enterprise Limited.

The Company adopted IFRS 16 'Leases' which was effective for the reporting period beginning on 1 January 2019. This did not have a significant 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 6 to 8.

**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 Subsea 7 S.A. group, being Subsea 7 S.A. and its subsidiaries, (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:

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

**Principal risk and uncertainties (continued)**

***Human resource related risk***

Failure to attract and retain suitably skilled and capable personnel could adversely impact the Group and Company's ability to execute projects and its future growth prospects. Increased competition for skilled personnel could result in rising employee attrition and create a lack of resources and/or increased compensation costs for the Company.

The Group utilises medium-term business projections to assess resource requirements which allows timely, corrective intervention to appropriately resource the organisation in terms of size, profile competency mix and location. The Group also monitors attrition by function and geography and has developed appropriate remuneration and incentive packages to help attract and retain key employees. Performance management and succession planning processes are in place to help develop staff and identify high-potential individuals for key roles in the business.

***Employee related risk***

The management of the business and the execution of the Company's strategy are subject to a number of employee related risks. Due to the current climate and economic conditions facing the Company the workforce will be significantly reduced during 2020 and 2021. The Company's performance could be adversely affected by the loss of key individuals. To mitigate this risk a robust consultation process is conducted to make sure that all organisational changes are fair and justified and that employee evaluation is consistent across the Company.

***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.

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

**Principal risk and uncertainties (continued)**

***Information technology and security risk (continued)***

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 other group companies with treasury functions and/or a number of major financial institutions in regions that the Company operates. 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.

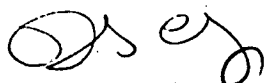
***Cash flow and liquidity risk***

The Company is part 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 a working capital facility provided by a fellow group company.

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



Douglas Young  
Director  
1 October 2020

**Directors' Report  
for the year ended 31 December 2019**

The Directors present their report for Subsea 7 (UK Service Company) 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. 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](http://www.subsea7.com).

**Directors**

The names of the current Directors are listed on page 1. All held office throughout the year with the exception of Katherine Lyne who was appointed a Director on 30 September 2019 and Phillip Simons who was appointed a Director on 1 July 2020. Keith Tipson served as a Director until his resignation on 30 September 2019.

**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 activity**

The principal activity of the Company during the year was the provision of personnel, consultancy and management services to other Subsea 7 S.A. group undertakings. There have been no significant changes in the Company's principal activity during the year and the Directors are not aware, at the date of this report, of any likely changes in the Company's activity in the forthcoming year.

**Results and performance**

The Statement of Comprehensive Income for the year is set out on page 13. The Company's total comprehensive income for the financial year of £1.3 million (2018: £5.4 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. The Directors do not recommend the payment of a final ordinary dividend.

**Employee involvement**

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests. Communication with all employees continues through the in-house communications, briefing groups and the on-line communication of the Subsea 7 S.A. Annual Report and Consolidated Financial Statements.

**Disabled persons**

Application for employment by disabled persons is always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should as far as possible, be identical to that of a person who does not suffer from a disability.

**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 does not enter into financial instruments or non-derivative financial instruments in order to manage foreign currency exposures.

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

**Research and development activities**

During the year the Company recognised £1.6 million (2018: £1.9 million) as research costs in the Statement of Comprehensive Income relating to payroll and related personnel costs of the Technical and Asset Development team who provide technical support and services to the Group.

**Future developments**

In this increasingly competitive environment, the Company's experience and capability to recruit, retain and develop individuals with the right talents are its key differentiators. The Company will continue to invest in its people and their development with performance levels remaining consistent with prior years.

Activity levels in 2020 are expected to be lower than the prior year due to the impact of Covid-19 on the global economy. The Directors expect that revenue will continue to be generated from the provision of personnel, consultancy and management services to other Subsea 7 S.A. group undertakings.

**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.

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.



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

**Section 172(1) statement (continued)**

***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 review 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.

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:

- Be the predominant provider of personnel, consultancy and management services to other Subsea 7 S.A. group undertakings;
- 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 reflect 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:

***Employees***

Our employees are key to the success of the Company and as such engaging with and listening to our employees is important through surveys, focus groups and regular communication. One key aspect is the health and wellbeing of our employees and we are actively involved in promoting this throughout the Company.

***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 personnel, consultancy and management services to the Group.

**Directors' Report (continued)  
for the year ended 31 December 2019****Section 172(1) statement (continued)****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 30 June 2020, the Group had cash and cash equivalents of \$483.0 million and total borrowings of \$222.0 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 £84.7 million at 31 December 2019 (2018: £80.6 million). The net asset position is comprised primarily of trade and other receivables of £98.3 million (2018: £117.4 million), property, plant and equipment of £41.9 million (2018: £45.5 million), intangible assets of £12.0 million (2018: £5.6 million) and trade and other liabilities of £71.0 million (2018: £87.4 million). 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.

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

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 17 March 2020, the Company purchased one share in Globestar Engineering Company (Nigeria) Limited for a consideration of NGN 10,662 (\$29) from Acergy B.V., a fellow group undertaking.

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.

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.

Subsequent to the year end and due to significant changes in the current climate, a decision was made by Management to release accruals in relation to the Long Term Cash Bonus plan. In April 2020, the Company released accruals totalling £1.0 million.

Subsea 7 S.A. (the ultimate parent company) announced on 28 May 2020 a programme of cost reduction measures to be implemented in the coming months including a re-sizing of the fleet and workforce, and the restructuring of its corporate organisation. This was in view of the current climate and economic conditions that continue to affect the oil and gas market. It is envisaged that the overall reduction of its global workforce (both staff and contract personnel) would be approximately 3,000 by Q2 2021, reducing the workforce to 9,000 from the current level of 12,000. The proposed headcount reduction relating to UK onshore personnel has been calculated as 535 across six different business areas.

Formal consultation with employee representatives is ongoing at the date of approval of these Financial Statements. Redundancies have started from July 2020 and will continue into 2021. In Q2 2020, the Company recorded a £13.9 million provision for the redundancy and re-structuring costs.

**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.

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

**Statement of Directors' responsibilities (continued)**

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**

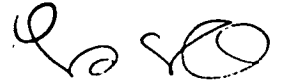
The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- 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



Douglas Young  
Director  
1 October 2020

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUBSEA 7 (UK SERVICE COMPANY) LIMITED**

**Opinion**

We have audited the Financial Statements of Subsea 7 (UK Service Company) 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 33, 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 32 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, as well as the Company's ability to operate normally. 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 (UK SERVICE COMPANY) 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 pages 9 and 10, 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.

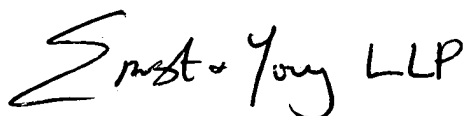
**Auditor's responsibilities for the audit of the Financial Statements**

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.



Kenneth MacLeod Hall (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Aberdeen

2, OCTOBER 2020

## Subsea 7 (UK Service Company) Limited

### Statement of Comprehensive Income for the year ended 31 December

	Note	2019 £000	2018 £000
Revenue	6	200,147	200,214
Operating expenses		(129,117)	(123,596)
<b>Gross income</b>		<b>71,030</b>	<b>76,618</b>
Administrative expenses		(68,538)	(70,344)
Income from subsidiary undertaking	19	150	-
<b>Net operating income</b>	7	<b>2,642</b>	<b>6,274</b>
Finance income	13	502	330
Other gains and losses	12	(1,174)	359
Finance costs	14	(274)	(3)
<b>Net income before taxes</b>		<b>1,696</b>	<b>6,960</b>
Taxation	15	(415)	(1,602)
<b>Total comprehensive income</b>		<b>1,281</b>	<b>5,358</b>

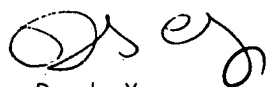
## Subsea 7 (UK Service Company) Limited

### Balance Sheet As at 31 December

	Note	2019 £000	2018 £000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	16	11,996	5,630
Property, plant and equipment	17	41,926	45,494
Right-of-use assets	18	125	-
Interest in subsidiary undertaking	19	-	-
		<b>54,047</b>	<b>51,124</b>
<b>Current assets</b>			
Trade and other receivables	20	98,347	117,420
Other accrued income and prepaid expenses	21	8,001	5,658
		<b>106,348</b>	<b>123,078</b>
<b>Total assets</b>		<b>160,395</b>	<b>174,202</b>
<b>Equity</b>			
Issued share capital	22	-	-
Paid in surplus		60,000	60,000
Retained earnings		24,734	20,642
<b>Equity attributable to shareholders</b>		<b>84,734</b>	<b>80,642</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Non-current portion of lease liabilities	23	23	-
Deferred tax liabilities	15	3,237	3,524
Other non-current liabilities	26	729	826
		<b>3,989</b>	<b>4,350</b>
<b>Current liabilities</b>			
Trade and other liabilities	27	71,004	87,392
Current tax liabilities		457	1,329
Current portion of lease liabilities	23	106	-
Provisions	24	105	433
Deferred revenue	28	-	56
		<b>71,672</b>	<b>89,210</b>
<b>Total liabilities</b>		<b>75,661</b>	<b>93,560</b>
<b>Total equity and liabilities</b>		<b>160,395</b>	<b>174,202</b>

The notes to the Financial Statements on pages 16 to 40 are an integral part of these Financial Statements.

The Financial Statements of Subsea 7 (UK Service Company) Limited, Company Number SC228749 on pages 13 to 40 were approved by the Board of Directors on 1 October 2020 and were signed on its behalf by:



Douglas Young  
Director



## Subsea 7 (UK Service Company) 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
<b>Balance at 1 January 2019</b>	-	60,000	20,642	80,642
<b>Comprehensive income</b>				
Net income	-	-	1,281	1,281
<b>Transactions with owners</b>				
Share-based payments (Note 30)	-	-	2,811	2,811
<b>Balance at 31 December 2019</b>	-	60,000	24,734	84,734
	Issued share capital £000	Paid in surplus £000	Retained earnings £000	Total £000
<b>Balance at 1 January 2018</b>	-	60,000	13,455	73,455
<b>Comprehensive income</b>				
Net income	-	-	5,358	5,358
<b>Transactions with owners</b>				
Share-based payments (Note 30)	-	-	1,963	1,963
Tax effect of share-based payments	-	-	(134)	(134)
<b>Balance at 31 December 2018</b>	-	60,000	20,642	80,642

# Subsea 7 (UK Service Company) 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 (UK Service Company) 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](http://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 1 October 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 Pounds Sterling (£) 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 pounds (£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 paragraphs 45(b) and 46-52 of IFRS 2 'Share-Based Payment'; (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- (c) the requirements of paragraph 17 and 18A of IAS 24 'Related Party Disclosures'; (requirement to disclose key management personnel compensation)
- (d) 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)
- (e) 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;
- (f) 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)
  - (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment'; (a reconciliation of movements for each class of property, plant and equipment) and
  - (iii) paragraph 118(e) of IAS 38 'Intangible Assets' (reconciliations between the carrying amount at the beginning and end of the period);
- (g) 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); and
  - 111 (cash flow statement information);

## Subsea 7 (UK Service Company) Limited

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

#### 1 General information (continued)

##### Basis of preparation (continued)

- (h) the requirements of IFRS 7 'Financial Instruments: Disclosures';
- (i) the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

##### Basis of consolidation

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements as it is a wholly owned subsidiary of Subsea 7 S.A. The results of Subsea 7 S.A. are included in the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. which are available from 412F, route d'Esch, L-2086, Luxembourg. The principal accounting policies adopted by the Company are set out in Note 3 'Significant accounting policies'.

##### 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 30 June 2020, the Group had cash and cash equivalents of \$483.0 million and total borrowings of \$222.0 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 £84.7 million at 31 December 2019 (2018: £80.6 million). The net asset position is comprised primarily of trade and other receivables of £98.3 million (2018: £117.4 million), property, plant and equipment of £41.9 million (2018: £45.5 million), intangible assets of £12.0 million (2018: £5.6 million) and trade and other liabilities of £71.0 million (2018: £87.4 million). 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.

## Subsea 7 (UK Service Company) Limited

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

#### 1 General information (continued)

##### Going concern (continued)

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. As a result of the adoption of IFRS 16 the Company recognised right-of-use assets and lease liabilities within the Balance Sheet on 1 January 2019.

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 of time.

At 31 December 2018 the Company had £542,000 of commitments under operating leases for rental agreements. On implementation of IFRS 16, the lease liabilities were measured as the present value of the remaining committed lease payments using a discount rate equal to the incremental borrowing rates specific to each lease. The weighted-average incremental borrowing rate used to measure lease liabilities at the date of initial application was 5.21%. As permitted by IFRS 16, the Company opted to measure the right-of-use asset at an amount equal to the liabilities at the implementation date. No adjustment was made for accrued or prepaid lease obligations on the grounds of materiality.

## Subsea 7 (UK Service Company) Limited

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

#### 2 Adoption of new accounting standards (continued)

##### IFRS 16 'Leases' (continued)

The impact on the Balance Sheet at the date of implementation was as follows:

At 1 January 2019	IFRS 16 £000	Previous IFRS £000	Impact £000
<b>Balance Sheet:</b>			
Right-of-use assets	324	-	324
Lease liabilities	(311)	-	(311)
Other provisions	135	-	135

On initial implementation of IFRS 16, management opted to apply practical expedients and has:

- applied the requirements of IFRS 16 to all contracts previously identified as leases under IAS 17 'Leases';
- excluded initial direct costs from measurement of the right-of-use asset;
- applied discount rates on a portfolio basis where leases are similar in nature and have similar remaining lease terms;
- relied upon the previous assessment of whether a lease is onerous as an alternative to performing an impairment review. Where applicable the carrying amount of the right-of-use asset was adjusted by the carrying amount of the onerous lease provision. This resulted in a £919,000 reduction in the right-of-use asset recognised on implementation; and
- applied the short-term lease exemption to all leases with durations which terminate within 12 months of the implementation date, with the exception of vessel leases which at inception were greater than 12 months, which are in substance long-term agreements.

The following table represents the reconciliation of lease liabilities as of 1 January 2019:

	£000
Operating lease commitments at 31 December 2018	542
Recognition of renewal options expected to be exercised	7
Recognition exemption for short-term and low-value leases	(209)
Effect of discounting at the incremental borrowing rate as of 1 January 2019	(29)
<b>Liabilities from leases as of 1 January 2019</b>	<b>311</b>

#### 3 Significant accounting policies for 2019

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 trade and other receivables which are classified as other financial assets. The Company's financial liabilities include trade and other payables.

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).

## Subsea 7 (UK Service Company) Limited

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

#### 3 Significant accounting policies for 2019 (continued)

##### Financial instruments (continued)

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.

Equity instruments are reported as other financial assets and are subsequently measured at FVPL when not considered to be strategic in nature. Where the Company considers other financial assets to be strategic in nature and is expecting to hold them for the foreseeable future the investments are measured at FVOCI with no recycling of gains or losses to profit or loss on derecognition.

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.

The Company does not enter into forward foreign currency contracts, in order to manage its foreign currency exposures. Nor does the Company enter into multi-currency contracts. Currently the Company does not perform hedge accounting.

##### 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 trade and other receivables which do not contain a significant financing component, the Company applies the simplified approach. This approach requires the allowance for ECLs to be recognised at an amount equal to lifetime expected credit losses.

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 Company 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.

##### Trade and other liabilities

Payables are recognised initially at fair value, net of transaction costs incurred. After initial recognition payables are subsequently measured at amortised cost using the effective interest rate method. Interest expenses (which don't meet the criteria for capitalisation), together with gains and losses when payables are derecognised or impaired, are recognised in the Statement of Comprehensive Income.

## Subsea 7 (UK Service Company) Limited

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

#### 3 Significant accounting policies for 2019 (continued)

##### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past transaction or event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised represents the best estimate of the expenditure expected to be required to settle the present obligation. Estimates are determined by the judgement of management supplemented by the experience of similar transactions and in some cases, advice from independent experts. Where the Company is virtually certain that some or all of a provision will be reimbursed, that reimbursement is recognised as a separate asset. The expense relating to any provision is reflected in the Statement of Comprehensive Income at a current pre-tax amount that reflects the risks specific to the liability. Where the provision is discounted, any increase in the provision due to the passage of time is recognised as a finance cost in the Statement of Comprehensive Income.

The following criteria are applied for the recognition and measurement of significant classes of provision:

##### *Restructuring charges*

The Company accounts for restructuring charges, including statutory legal requirements to pay redundancy costs, when there is a legal or constructive obligation that can be reliably measured. The Company recognises a provision for redundancy costs when it has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out restructuring. Provisions are measured at the best estimate of the expenditure required to settle estimated statutory redundancy costs and discretionary payments at the reporting date.

##### Finance costs

Finance costs or charges, including premiums on settlement or redemption and direct issue costs, are accounted for on an accruals basis using the effective interest rate method.

##### Finance income

Finance income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Finance income is accrued by reference to the principal outstanding and the interest rate applicable.

##### 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.

##### 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 Pounds Sterling, were as follows:

USD	1.298
EUR	1.172
NOK	11.659

## Subsea 7 (UK Service Company) Limited

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

#### 3 Significant accounting policies for 2019 (continued)

##### **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.

##### *Deferred taxes*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Balance Sheet and the corresponding tax bases used in the computation of taxable income and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Such assets or liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets or liabilities in a transaction (other than in a business combination) that does not affect either the taxable income or the accounting income before taxes. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiary undertakings, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax assets are only recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. Deferred tax assets are derecognised or reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are substantively enacted and expected to apply in the period when the asset is realised or the liability is settled. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current income tax assets and liabilities on a net basis.

##### **Interest in subsidiary undertaking**

Subsidiary undertakings are those entities in which the Company has power to exercise control over operations. Control is assumed to exist where the Company is exposed to or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Interests in subsidiary undertakings are stated at cost less provisions for impairment. The carrying value of interests in subsidiary undertakings are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Once impaired, the carrying value of interests in subsidiary undertakings are reviewed for impairment reversal when events or changes in circumstance indicate that the recoverable value exceeds the carrying value. Impairment reversals are limited to the cumulative value of impairments recognised against the interest.



## Subsea 7 (UK Service Company) Limited

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

#### 3 Significant accounting policies for 2019 (continued)

##### Intangible assets

Intangible assets acquired separately are measured at cost at date of initial acquisition. Following initial recognition, intangible assets are measured at cost less amortisation and impairment charges. Internally generated intangible assets are not capitalised, with the exception of development expenditure which meets the criteria for capitalisation.

Intangible assets with finite lives are amortised over their useful economic life and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with finite useful lives are reviewed at least annually. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortisation period or method and are treated as changes in accounting estimates. The amortisation expense related to intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset.

##### Research and development

Research costs are expensed as incurred. The Company recognises development expenditure as an internally generated intangible asset when the criteria for recognition specified in IAS 38 'Intangible Assets' are met.

Amortisation of the intangible asset over the period of the expected useful life begins when development is complete, and the asset is available for use. The asset is tested for impairment whenever there is an indication that the asset may be impaired.

##### Property, plant and equipment

Property, plant and equipment acquired separately, including critical spare parts acquired and held for future use, are stated at cost less accumulated depreciation and accumulated impairment charges.

Assets under construction are carried at cost, less any recognised impairment charge. Depreciation of these assets commences when the assets become operational and either commence activities or are deemed available for service.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Operating equipment	3 to 10 years
Buildings	20 to 25 years
Other assets	3 to 7 years
Land is not depreciated	

Gains or losses arising on disposal of property, plant and equipment are determined as the difference between any disposal proceeds and the carrying amount of the asset at the date of the transaction. Gains and losses on disposal are recognised in the Statement of Comprehensive Income in the period in which the asset is disposed.

##### Impairment of non-financial assets

At each Balance Sheet date, the Company assesses whether there is any indication that non-financial assets, including right-of-use assets, may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's fair value less costs of disposal and its value-in-use. Where an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the Cash-Generating Unit (CGU) to which the asset is allocated.

Where the carrying amount of an asset exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable value. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment charges are recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the impaired asset.

## Subsea 7 (UK Service Company) Limited

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

#### 3 Significant accounting policies for 2019 (continued)

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

An assessment is made at each Balance Sheet date as to whether there is any indication that previously recognised impairment charges may no longer exist or may have decreased. If such an indication exists, the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment charge was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Any such reversal is recognised in the Statement of Comprehensive Income.

##### Share-based payments

Certain employees of the Group receive part of their remuneration in the form of share options and conditional awards of shares based on the performance of the Subsea 7 S.A. group. Equity-settled transactions with employees are measured at fair value at the date on which they are granted. The fair value is determined using a Monte Carlo simulation model. The cost of equity-settled transactions is recognised together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become entitled to the award (vesting date). The cumulative expense recognised for the equity-settled transactions at each Balance Sheet date, until the vesting date, reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The cumulative expense also includes the estimated future charge to be borne by the Company in respect of national insurance contributions, based on the intrinsic unrealised value of the awards using the share price at the Balance Sheet date. The net income or expense for a period represents the difference in cumulative expense recognised at the beginning and end of that period.

The expenses associated with the award of share-based payments are recharged to the company in which the employee's primary activities are located by the employee's employing entity at no mark-up. The company which benefits from the employee's primary activities incurs all expenses associated with share-based payments and is therefore responsible for eventual settlement of any outstanding awards and options.

Awards of shares to settle share-based payment arrangements to individual employees may be made by the Company's ultimate parent company, Subsea 7 S.A. on behalf of the Company at no cost to the Company.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, due to vesting conditions being unable to be met, the cumulative expense previously recognised is reversed with a credit recognised in the Statement of Comprehensive Income. If a new award is substituted for the cancelled award, the new award is measured at fair value at the date on which they are granted.

## Subsea 7 (UK Service Company) Limited

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

#### 4 Significant accounting policies for 2018

The following accounting policies have been provided to assist with the understanding of comparative financial information for the year ended 31 December 2018. This accounting policy, which complied with IAS 17 'Leases', have been superseded to comply with IFRS 16 'Leases' as disclosed in Note 2 'Adoption of new accounting standards'.

**These accounting policies are only relevant for comparative financial information.**

##### **Leasing**

The determination of whether an arrangement was or contained a lease was based on the substance of the arrangement at the inception date, whether the fulfilment of the arrangement was dependent on the use of a specific asset or assets or the arrangement conveyed a right to use an asset. Leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee. All other leases were classified as operating leases.

Operating lease payments were recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease were aggregated and recognised on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease were recognised on the same basis as the related lease.

Improvements made to leased assets were expensed in the Statement of Comprehensive Income unless they significantly increased the value of the leased asset, under which circumstance this expenditure was capitalised in the Balance Sheet and subsequently recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term applicable to the leased asset.

#### 5 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.

##### **Property, plant and equipment**

Property, plant and equipment is recorded at cost and depreciation is recorded on a straight-line basis over the useful lives of the assets. Management uses its experience to estimate the remaining useful economic life and residual value of an asset.

A review for indicators of impairment is performed at each reporting date. When events or changes in circumstances indicate that the carrying value of property, plant and equipment may not be recoverable, a review for impairment is carried out by Management. This involves the estimation of future cash flows attributable to the asset which are then discounted at an appropriate rate. Where required, fair value less costs of disposal are estimated internally or by obtaining a third party valuation. Costs of disposal are included where a reliable estimate can be made.

##### **Carrying value of loans and receivables**

Loans and receivables are reviewed at each reporting date for objective evidence to indicate whether the carrying values are impaired.

Where there is objective evidence of impairment, management makes judgements as to whether an expected credit loss for impairment should be recognised. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

## Subsea 7 (UK Service Company) Limited

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

#### 5 Judgement and key sources of estimation uncertainty (continued)

##### *Taxation*

The Company is subject to taxation in numerous jurisdictions and significant judgement is required in calculating the tax position. There are transactions for which the ultimate tax determination is uncertain and for which the Company makes provisions based on an assessment of internal estimates and appropriate external advice, including decisions regarding whether to recognise deferred tax assets in respect of tax losses.

Each year management completes a detailed review of uncertain tax positions and makes provisions based on the probability of the liability arising. Where the final tax outcome of these matters differs from the amounts that were initially recorded, the difference will impact the tax charge in the period in which the outcome is determined. Details of key judgements and other issues considered are set out in Note 15 'Taxation'.

#### 6 Revenue

##### **Revenue by activity**

Revenue is generated from the provision of services. Revenue recognised in the Statement of Comprehensive Income is analysed as follows:

	2019 £000	2018 £000
Consultancy and management services	93,872	102,944
Personnel services	106,275	97,270
<b>Total</b>	<b>200,147</b>	<b>200,214</b>

##### *Consultancy and management services*

Revenue represents costs that are incurred by the Company which are then recharged to other companies within the wider Subsea 7 S.A. group.

##### *Personnel services*

Revenue relates to the provision of employees of the Company to other companies within the wider Subsea 7 S.A. group.

##### **Revenue by geographic origin**

	2019 £000	2018 £000
United Kingdom	121,581	134,467
Luxembourg	18,511	20,359
USA	15,622	8,053
Norway	9,429	8,611
Australia	6,492	7,493
Nigeria	5,041	3,067
France	4,982	2,158
Egypt	4,348	11,784
Others	14,141	4,222
<b>Total</b>	<b>200,147</b>	<b>200,214</b>

Revenue by destination is fully attributable to the United Kingdom.

## Subsea 7 (UK Service Company) Limited

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

#### 7 Net operating income

Net operating income is stated after charging/(crediting):

	2019 £000	2018 £000
Research and development	1,565	1,859
Employee benefits (Note 9)	126,451	127,698
Termination expenses	1,196	(463)
Restructuring expense	1	(29)
Depreciation of property, plant and equipment (Note 17)	4,232	4,290
Amortisation of right-of-use assets (Note 18)	157	-
Amortisation of intangible assets (Note 16)	2,346	2,639
Lease expense for short-term leased assets	152	448

#### 8 Auditors' remuneration

During the year, fees payable to the Company's auditors for the audit of the Company's Financial Statements were £15,000 (2018: £12,000).

During the year, fees payable to the Company's auditors for the audit of the Financial Statements of the Company's subsidiary undertaking was £7,000 (2018: £6,000).

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.

#### 9 Employee benefits

Aggregate benefits paid to employees of the Company are shown below:

	2019 £000	2018 £000
Short-term employee benefits	99,622	100,145
Social security costs	15,603	17,057
Pension costs	7,686	7,707
Other long-term benefits	729	826
Share-based payments (Note 30)	2,811	1,963
<b>Total</b>	<b>126,451</b>	<b>127,698</b>

Share-based payments expense relates to charges incurred by the Company in connection with equity-settled share-based payments schemes.

Included in pension costs are £7.7 million (2018: £7.7 million) in respect of defined contribution schemes.

## Subsea 7 (UK Service Company) Limited

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

#### 10 Employees

The average monthly number of employees during the year was made up as follows:

	2019 No.	2018 No.
Operations – onshore	976	966
Administration – general management	27	26
Administration – other	275	280
<b>Total</b>	<b>1,278</b>	<b>1,272</b>

#### 11 Directors' remuneration

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	1,678	1,912
Aggregate amount received on Long-term Incentive Plan	381	531
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	7	7
Company pension contributions to defined contribution schemes	83	72
<b>Total</b>	<b>2,149</b>	<b>2,522</b>

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

#### Highest paid Director

The remuneration of the highest paid Director, including gains made under long-term incentive schemes, was £816,000 (2018: £971,000), including company pension contributions to defined contribution schemes of £36,000 (2018: £35,000).

#### 12 Other gains and losses

	2019 £000	2018 £000
Losses on disposal of intangible asset	(3)	(7)
Net foreign currency exchange (losses)/gains	(1,171)	366
<b>Total</b>	<b>(1,174)</b>	<b>359</b>

#### 13 Finance income

	2019 £000	2018 £000
Bank interest income	1	25
Interest income from group undertakings	501	305
<b>Total</b>	<b>502</b>	<b>330</b>

## Subsea 7 (UK Service Company) Limited

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

#### 14 Finance costs

	2019 £000	2018 £000
Interest expense to group undertakings	267	3
<b>Total borrowing costs</b>	<b>267</b>	<b>3</b>
Interest on lease liabilities	7	-
<b>Total finance costs</b>	<b>274</b>	<b>3</b>

Interest on lease liabilities is a result of the adoption of IFRS 16 'Leases' which was implemented on 1 January 2019.

#### 15 Taxation

Tax charged in the Statement of Comprehensive Income is disclosed as follows:	2019 £000	2018 £000
<b>Current tax:</b>		
UK corporation tax	457	1,328
Foreign tax	11	106
<b>Current tax</b>	<b>468</b>	<b>1,434</b>
Amounts under provided in previous years	234	43
<b>Total current tax</b>	<b>702</b>	<b>1,477</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(142)	(116)
Amount (over)/under provided in previous years	(145)	241
<b>Total deferred tax</b>	<b>(287)</b>	<b>125</b>
<b>Taxation expense reported in the Statement of Comprehensive Income</b>	<b>415</b>	<b>1,602</b>
<b>Tax relating to items credited to Other comprehensive income:</b>	<b>2019 £000</b>	<b>2018 £000</b>
<b>Total current tax</b>	-	-
<b>Deferred tax:</b>		
Movement in share-based payments	-	134
<b>Total deferred tax</b>	-	134
<b>Taxation expense reported in Other comprehensive income</b>	-	134

## Subsea 7 (UK Service Company) Limited

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

#### 15 Taxation (continued)

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	1,696	6,960
Tax on ordinary activities at the standard UK rate of 19% (2018: 19%)	322	1,322
<b>Effects of:</b>		
Expenses not deductible for tax purposes	18	307
Depreciation on non-deductible capital expenditure	104	109
Effect of foreign taxes	8	86
Non taxable income	(29)	-
Tax under provided in previous years	89	284
Impact of share based payments	61	(408)
R&D expenditure credits	(158)	(98)
<b>Taxation expense reported in the Statement of Comprehensive Income</b>	<b>415</b>	<b>1,602</b>

#### **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. Deferred tax balances have been measured at 17%-19% being the rates substantively enacted at 31 December 2019. 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.

#### **Deferred tax**

The deferred tax included in the Balance Sheet is as follows:	2019 £000	2018 £000
<b>Deferred tax liability</b>		
Accelerated capital allowances	3,920	4,282
<b>Deferred tax asset</b>		
Pensions	129	113
Provisions	139	157
Share-based payment	415	488
	682	758
<b>Disclosed on the Balance Sheet</b>		
Deferred tax liability	3,237	3,524
	2019 £000	2018 £000
<b>Deferred tax in the Statement of Comprehensive Income</b>		
Accelerated capital allowances	(362)	50
Share-based payment	73	56
Pension plans	(16)	(9)
Provisions	18	28
<b>Deferred tax (credit)/expense</b>	<b>(287)</b>	<b>125</b>



## Subsea 7 (UK Service Company) Limited

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

#### 16 Intangible assets

	Software £000
<b>Cost</b>	
At 1 January 2019	29,380
Additions	8,715
Disposals	(352)
<b>At 31 December 2019</b>	<b>37,743</b>
<b>Accumulated amortisation</b>	
At 1 January 2019	23,750
Charge for the year	2,346
Disposals	(349)
<b>At 31 December 2019</b>	<b>25,747</b>
<b>Net book value at 31 December 2019</b>	<b>11,996</b>
Net book value at 31 December 2018	5,630

Included in the above are assets under construction of £7.7 million (2018: £0.2 million) for which the expenditure in the year amounted to £7.7 million (2018: £0.2 million).

The additions relate to assets under construction being reallocated from other assets to software.

#### 17 Property, plant and equipment

	Operating equipment £000	Land and buildings £000	Other assets £000	Total £000
<b>Cost</b>				
At 1 January 2019	14,684	33,728	14,404	62,816
Additions	-	44	620	664
Disposals	-	-	(939)	(939)
<b>At 31 December 2019</b>	<b>14,684</b>	<b>33,772</b>	<b>14,085</b>	<b>62,541</b>
<b>Accumulated depreciation</b>				
At 1 January 2019	4,195	2,435	10,692	17,322
Charge for the year	2,098	1,246	888	4,232
Disposals	-	-	(939)	(939)
<b>At 31 December 2019</b>	<b>6,293</b>	<b>3,681</b>	<b>10,641</b>	<b>20,615</b>
<b>Net book value at 31 December 2019</b>	<b>8,391</b>	<b>30,091</b>	<b>3,444</b>	<b>41,926</b>
Net book value at 31 December 2018	10,489	31,293	3,712	45,494

#### **Land**

Land and buildings cost include £3.1 million (2018: £3.1 million) of freehold land.

#### **Assets under construction**

Included in the above are assets under construction of £0.5 million (2018: £0.2 million) for which the expenditure in the year amounted to £0.5 million (2018: £0.1 million).

## Subsea 7 (UK Service Company) Limited

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

#### 18 Right-of-use assets

	Land and buildings £000
<b>Cost</b>	
At 1 January 2019	324
Exchange differences	(5)
Disposals	(74)
<b>At 31 December 2019</b>	<b>245</b>
<b>Accumulated amortisation</b>	
Charge for the year	157
Disposals	(37)
<b>At 31 December 2019</b>	<b>120</b>
<b>Carrying amount:</b>	<b>125</b>
<b>At 31 December 2019</b>	<b>125</b>

The Company adopted IFRS 16 on 1 January 2019 using the modified retrospective approach and did not restate comparative information. The Company leases properties with contracts which are typically for fixed periods but may have extension options used to maximise operational flexibility. The majority of extension and termination options held are exercisable only by the Company not the respective lessors. Lease liabilities are disclosed within Note 23 'Lease liabilities'.

An impairment test was performed on the balances at 31 December 2019.

#### 19 Interest in subsidiary undertaking

Interest comprises an equity share in one entity, which is not publicly traded.

	Interest in subsidiary undertaking £
<b>Cost</b>	
At 1 January 2019	1
<b>At 31 December 2019</b>	<b>1</b>
<b>Accumulated impairments</b>	
At 1 January 2019	-
<b>At 31 December 2019</b>	<b>-</b>
<b>Net book value at 31 December 2019</b>	<b>1</b>
<b>Net book value at 31 December 2018</b>	<b>1</b>

## Subsea 7 (UK Service Company) Limited

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

#### 19 Interest in subsidiary undertaking (continued)

##### Dividends

On 11 July 2019 the Company received a dividend of £150,000 (2018: nil) from Thames International Enterprise Limited. Consideration for this transaction was settled through the working capital facility agreement and left outstanding on an interest-bearing intra-group account.

##### Direct interests

The direct subsidiary of the Company at 31 December 2019 was as follows:

Company name	Classification	Holding	Ownership %	Nature of the business	Address of registered office
Thames International Enterprise Limited	Subsidiary	Ordinary shares	100%	Management Services	40 Brighton Road, Sutton, Surrey, England, SM2 5BN

For each interest the proportion of voting rights is consistent with the percentage of ownership. Principal place of business is consistent with the address of registered office.

#### 20 Trade and other receivables

	2019 £000	2018 £000
Amounts due from joint ventures of the Group	879	1,000
Allowance for credit impairment	(860)	(855)
	19	115
Trade receivables	119	229
Amount due from group undertakings	96,839	115,858
Other taxes receivable	1,365	1,068
Other current receivables	5	150
<b>Total</b>	<b>98,347</b>	<b>117,420</b>

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 25 '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 1% per annum, have no fixed date of repayment and are repayable on demand.

Amounts due from group undertakings who 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.

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.

Other taxes receivable relates to value added tax.

Other current receivables relate to advance payments to employees.

## Subsea 7 (UK Service Company) Limited

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

#### 20 Trade and other receivables (continued)

In a prior year, the Company recognised expected credit losses from ENMAR S.A., reflected in the amounts due from joint ventures of the Group. The Directors believe that future cash flows from ENMAR S.A. and their ability to repay the balance is still adversely affected by losses incurred, therefore there was no release of the impairment in 2019.

#### 21 Other accrued income and prepaid expenses

	2019 £000	2018 £000
Unbilled revenue	-	399
Prepaid expenses	8,001	5,259
<b>Total</b>	<b>8,001</b>	<b>5,658</b>

#### 22 Issued share capital

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

	2019 £
<i>Allotted, called up and fully paid</i>	
Ordinary shares of £1 each	
<b>At 31 December 2019</b>	<b>2</b>

	2019 No.
<i>Allotted, called up and fully paid</i>	
Ordinary shares of £1 each	
<b>At 31 December 2019</b>	<b>2</b>

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

#### 23 Lease liabilities

##### Relevant for 2019 only

Following the implementation of IFRS 16 'Leases' on 1 January 2019, leases are recognised as liabilities at the date at which the leased asset is available for use by the Company.

At 31 December 2019, the Company's lease liabilities were as follows:

	2019 £000
Discounted lease liabilities	
Consisting of:	
Non-current	23
Current	106
<b>Total discounted lease liabilities</b>	<b>129</b>

## Subsea 7 (UK Service Company) Limited

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

#### 23 Lease liabilities (continued)

Amounts recognised within the Statement of Comprehensive Income in relation to short-term and low-value leases are disclosed within Note 7 'Net operating income'.

#### Operating lease arrangements – relevant for 2018 only

The Company as lessee

	2018 £000
Charges recognised under operating leases	448

Operating lease commitments at 31 December 2018 totalled £480,000. These consisted of rental lease agreements.

The Company's outstanding lease commitments at 31 December 2018 were due as follows:

	2018 £000
Within one year	387
Years two to five inclusive	155
Total	542

The operating leases had various terms and future renewal options. Renewal options which had not yet been exercised were excluded from the outstanding commitments.

#### 24 Provisions

	Decommissioning £000	Restructuring £000	Total £000
At 1 January 2019	297	136	433
<i>Analysed as:</i>			
Current	297	136	433
<i>Arising during the year:</i>			
Additional provision in the year	-	15	15
Utilisation of provision	(292)	-	(292)
Unused amounts released during the year	(5)	(46)	(51)
<b>At 31 December 2019</b>	<b>-</b>	<b>105</b>	<b>105</b>
<i>Consisting of:</i>			
Current	-	105	105
<b>At 31 December 2019</b>	<b>-</b>	<b>105</b>	<b>105</b>

#### **Decommissioning provision**

The decommissioning provision is in relation to the obligation to restore leased premises to their original, or agreed, condition. The costs related to the provision are expected to be incurred in the year the leases cease.

#### **Restructuring provision**

The restructuring provision relates to a programme of cost reduction measures including the resizing of the workforce.

## Subsea 7 (UK Service Company) Limited

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

#### 25 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
	Carrying amount	Carrying amount
<b>Financial assets</b>		
Financial assets measured at amortised cost:		
Net trade receivables	119	229
Current amounts due from group undertakings	96,839	115,858
Current amounts due from joint ventures of the Group	19	115
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost:		
Lease liabilities	106	-
Trade payables	737	1,426
Current amounts due to group undertakings	58,296	73,391

##### **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 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.

##### **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.

For trade and other receivables which do not contain a significant financing component, the Company applies the simplified approach. This approach requires the allowance for expected credit losses to be recognised at an amount equal to lifetime expected credit losses.

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 Company recognised an allowance against amounts due from joint ventures of the Group totalling £0.9 million (2018: £0.9 million).

## Subsea 7 (UK Service Company) Limited

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

#### 26 Other non-current liabilities

	2019 £000	2018 £000
Long term performance based bonuses	729	826

#### 27 Trade and other liabilities

	2019 £000	2018 £000
Accruals	2,607	3,484
Trade payables	737	1,426
Amounts due to group undertakings	58,296	73,391
Taxation and social security	9,364	9,091
<b>Total</b>	<b>71,004</b>	<b>87,392</b>

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 3.45% 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 includes indirect taxes.

#### 28 Deferred revenue

	2019 £000	2018 £000
Advances received from group undertakings	-	56

Advances received from group undertakings related to payments for rent in advance of future periods.

#### 29 Commitments and contingent liabilities

##### Commitments

The Company's commitments at 31 December 2019 consisted of

- commitments to purchase property, plant and equipment and intangible assets from external suppliers of £2.8 million (2018: £1.1 million).

## Subsea 7 (UK Service Company) Limited

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

#### 30 Share-based payments

Certain employees of the Group receive part of their remuneration in the form of conditional share options based on the performance of the Group. The expenses associated with the award of share-based payments are recharged to the company in which the employee's primary activities are located by the employee's employing entity at no mark-up. Expenses associated with the award of share-based payments incurred by or recharged to the Company and recognised in the Company's Statement of Comprehensive Income during the period are as follows:

	2019 £000	2018 £000
<b>Expense arising from equity-settled share-based payment transactions:</b>		
2013 Long-term Incentive Plan	1,993	1,820
2018 Long-term Incentive Plan	818	143
<b>Total</b>	<b>2,811</b>	<b>1,963</b>

#### 2013 Long-term Incentive Plan

The 2013 Long-term Incentive Plan ("2013 LTIP") was approved by the shareholders of Subsea 7 S.A. at the Annual General Meeting on 28 June 2013. The 2013 LTIP had a five-year term with awards being made annually until 2017.

The 2013 LTIP is an essential component of the Group reward strategy, and was designed to align the interests of participants with those of Subsea 7's shareholders, and enables participants to share in the success of the Group. The 2013 LTIP provided for conditional share awards based upon performance conditions over a performance period of at least three years.

Performance conditions were based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions were determined over a three-year period.

Selected senior managers and key employees participated in the 2013 LTIP.

#### 2018 Long-term Incentive Plan

The 2018 Long-term Incentive Plan (2018 LTIP) was approved by the shareholders of Subsea 7 S.A. at the Annual General Meeting on 17 April 2018. The 2018 LTIP has a five-year term with awards being made annually. The aggregate number of shares which may be granted in any calendar year is limited to 0.5% of issued and outstanding share capital on 1 January of that calendar year. Grants are determined by the Compensation Committee of the Subsea 7 S.A. Board of Directors, which is responsible for operating and administering the plan.

The 2018 LTIP is an essential component of the Group's reward strategy, and was designed to align the interests of participants with those of Subsea 7's shareholders, and enables participants to share in the success of the Group. The 2018 LTIP provides for conditional awards of shares based upon performance conditions over a performance period of at least three years.

Selected senior managers and key employees participated in the 2018 LTIP.

During 2019, awards made to employees for which the expense is recharged to the Company amounted to 598,000 (2018: 605,000) shares. Under the terms of the 2018 LTIP 388,700 (2018: 393,250) shares are subject to relative TSR performance measures and 209,300 (2018: 211,750) are subject to ROAIC performance measures.



## Subsea 7 (UK Service Company) Limited

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

#### 30 Share-based payments (continued)

##### *TSR based awards*

The Group will have to deliver a TSR ranking above the median for any awards to vest. If the ranked TSR position of Subsea 7 during the three-year period, as converted to a percentage, is equal to 50%, 20% of the share award will vest. If the actual ranked TSR position of Subsea 7 is greater than 50% and below 90%, the vesting of the share award between 20% and 65% is determined by linear interpolation. The maximum award of 65% would only vest if the Group achieved top decile TSR ranking.

##### *ROAIC based awards*

ROAIC will be calculated for each of the three years of the performance period on a quarterly basis. If the average ROAIC achieved by the Group during the performance period is greater than 9% but less than 11%, vesting between 5% and 15% shall be determined by linear interpolation. If the actual ROAIC achieved by the Group during the performance period is greater than 11% but less than 14%, vesting between 15% and 35% shall be determined by linear interpolation. The maximum award of 35% would only vest if the Group achieved average ROAIC of 14% or greater.

Under the terms of the award plan participants are not entitled to receive dividend equivalent payments. Individual award caps are in place such that no senior executive or other employee may be granted shares under the 2013 or 2018 LTIP in a single calendar year that have an aggregate fair market value in excess of 150%, in the case of senior executives, or 100%, in the case of other employees, of their annual base salary as at the date of the award. Additionally, a holding requirement for senior executives applies where senior executives must hold 50% of all awards that vest until they have built up a shareholding with a fair value of 150% of their annual base salary which must be maintained throughout their tenure.

Upon vesting, Subsea 7 will withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, in cash, to the relevant tax authority on the employee's behalf. In 2019, three plans vested under the LTIP 2013 scheme, and the total estimated withholding tax to be transferred to relevant tax authorities was £1.4 million. Of this total, £0.2 million was in relation to employee social security contributions and £1.2 million was in relation to income tax.

#### 31 Related party transactions

During the year the Company entered into transactions, in the ordinary course of business, with related parties. The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries. Transactions entered into, and trading balances outstanding at 31 December with other related parties are as follows:

Related party	Sales to related party £000	Amounts owed by related party £000
<i>Joint ventures</i>		
2019	257	19
2018	108	115

##### *Terms and conditions of transactions with related parties*

Sales and purchases between related parties are made on an arm's length basis. Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2019, the Company has made no allowance for credit impairments relating to amounts owed by related parties, in accordance with IFRS 9.

## **Subsea 7 (UK Service Company) Limited**

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

#### **32 Post Balance Sheet events**

On 17 March 2020, the Company purchased one share in Globestar Engineering Company (Nigeria) Limited for a consideration of NGN 10,662 (\$29) from Acergy B.V., a fellow group undertaking.

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.

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.

Subsequent to the year end and due to significant changes in the current climate, a decision was made by Management to release accruals in relation to the Long Term Cash Bonus plan. In April 2020, the Company released accruals totalling £1.0 million.

Subsea 7 S.A. (the ultimate parent company) announced on 28 May 2020 a programme of cost reduction measures to be implemented in the coming months including a re-sizing of the fleet and workforce, and the restructuring of its corporate organisation. This was in view of the current climate and economic conditions that continue to affect the oil and gas market. It is envisaged that the overall reduction of its global workforce (both staff and contract personnel) would be approximately 3,000 by Q2 2021, reducing the workforce to 9,000 from the current level of 12,000. The proposed headcount reduction relating to UK onshore personnel has been calculated as 535 across six different business areas.

Formal consultation with employee representatives is ongoing at the date of approval of these Financial Statements. Redundancies have started from July 2020 and will continue into 2021. In Q2 2020, the Company recorded a £13.9 million provision for the redundancy and re-structuring costs.

#### **33 Ultimate and immediate parent undertaking and controlling party**

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](http://www.subsea7.com).

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