

**Subsea 7 International Contracting Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 December 2012**

Company Registration No. 03073521



# **Subsea 7 International Contracting Limited**

## **Annual report and financial statements for the year ended 31 December 2012**

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# **Subsea 7 International Contracting Limited**

## **Officers and professional advisers**

### **Directors**

Victor Jorge Snabaitis Bomfim  
Stephen McNeill  
John Gordon  
Gary Gray

### **Secretaries**

Lorna Peace  
Subsea 7 M S Limited

### **Registered office**

200 Hammersmith Road  
London  
W6 7DL

### **Bankers**

HSBC PLC  
2 Queens Road  
Aberdeen  
AB15 4ZT

HSBC PLC  
8 Canada Square  
London  
E14 5HQ

### **Solicitors**

Paull & Williamsons LLP  
1 Union Wynd  
Aberdeen

### **Independent Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Union Plaza  
Aberdeen  
AB10 1SL

## **Subsea 7 International Contracting Limited**

### **Directors' report for the year ended 31 December 2012**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012

#### **Principal activities**

The principal activity of Subsea 7 International Contracting Limited ("the Company") is the provision of project management and subsea installation services to the offshore oil and gas industry, particularly offshore Brazil

#### **Business Review**

As had been anticipated, there was a significant increase in activity during 2012 with revenue for the period of \$224 million, representing an increase of 15% in comparison with the previous year. The main reason for the increased revenue was primarily due to existing long-term charter agreements for the Seven Phoenix (ex-Pertinacia), Seven Mar (ex-Polar Queen), Seven Condor (ex-Acergy Condor) and Harrier vessels. In addition, the offshore campaigns and project completion of both the Gasoduto Sul Norte Capixaba Trecho Raso ("GSNC Shallow"), using the Seven Polaris and Harrier vessels, and survey by ROV of 2,600 km of rigid pipelines using the Seven Petrel also contributed to the turnover increase in the period.

During the year, the Company has undertaken the following finance restructuring

In 2012, 82 employees from Subsea 7 (UK Service Company) Limited were transferred to the Company including three Directors

In July 2012, the Company's parent, Subsea 7 Holdings (UK) Limited transferred its entire shareholdings in the Company to Subsea 7 Senior Holdings (UK) Limited at book value. Subsea 7 Senior Holdings (UK) Limited is the immediate parent Company from July 2012.

Subsea 7 International Contracting Limited is part of the Subsea 7 S A (formerly Acergy S A) group and further details and key performance indicators ("KPI's") of the group's performance can be found in the Annual Report of Subsea 7 S A, which does not form part of this report.

#### **Post balance sheet events**

##### *Kommandor 3000*

On 9 April 2013, Subsea 7 S A announced the award of a contract worth in excess of USD \$350 million from Petroleo Brasileiro S A (Petrobras). The contract is for the operation of the Pipe Lay Support Vessel (PLSV) Kommander 3000 on a day rate basis for five years with operations starting in 2013.

##### *Seven Phoenix*

On 2 July 2013, Subsea 7 S A announced the award of a new contract worth USD \$450 million by Petroleo Brasileiro S A (Petrobras). The contract is for the operation of the PLSV Seven Phoenix on a day-rate basis for five years with operations starting in the third quarter of 2013.

##### *Normand Seven*

On 4 July 2013, Subsea 7 S A announced the award a new contract worth USD \$400 million by Petroleo Brasileiro S A (Petrobras). The contract is for the operation of the PLSV Normand Seven on a day-rate basis for five years with operations starting in the fourth quarter of 2013.

##### *New-build Pipelay Support Vessels (PLSVs)*

On 8 July 2013, Subsea 7 S A announced the award of three contracts from Petrobras with a combined value of approximately USD \$1.6 billion for the construction and operation of three new-build flexible PLSVs.

The vessels are scheduled to be delivered in Q3 2016, Q4 2016 and Q2 2017 respectively.

The work scope of each of these 5 year contracts is similar to that of the PLSVs which Subsea 7 currently operates offshore Brazil, comprising of project management, engineering and installation of flowlines, umbilicals and equipment supplied by Petrobras.

## **Subsea 7 International Contracting Limited**

### **Directors' report for the year ended 31 December 2012 (continued)**

#### **Post balance sheet events (continued)**

On 21 October 2013, Subsea 7 S A announced the award of two contracts with a combined value (at the time of contract signature) in excess of US\$600 million from Petrobras. The contracts are for operation of the PLSVs Seven Mar and Seven Condor on a day rate basis for approximately three years, with operations starting toward the end of 2013 for Seven Mar and in the third quarter of 2014 for Seven Condor.

#### *UOTE project suspension*

Post year-end, Petrobras notified the Company of their intent to remove the offshore work scope from the UOTE project, offshore Brazil. Due to the uncertainty surrounding the final outcome of this decision, the Company de-recognised, in 2013, the profit previously recognised to date under the percentage-of-completion method of \$14.9m.

#### **Future prospects**

Levels of activity within the oil and gas industry offshore Brazil continues at a high volume and the Directors are confident as to the future prospects of the Company to continue to trade profitably.

#### **Principal risks and uncertainties**

The Company's activities expose it to a number of risks and uncertainties. These include price risk, cash flow risk and credit risk.

##### *Price risk*

The GSNC Shallow project and the UOTE project, on which Subsea 7 International Contracting Limited bears the risk, are "lump sum" in nature, and as such they are significantly higher-risk than "cost plus" or day-rate contracts. Revenue on the long-term charter of the Seven Phoenix (ex-Pertinacia), Seven Mar (ex-Polar Queen), Seven Condor (ex-Acergy Condor) and Harrier are on a day-rate contract basis. With these contracts, the main risk relates to the possibility of breakdown of ships or related equipment. This risk is managed by ensuring that all significant items of equipment are covered with a detailed planned maintenance schedule which is strictly adhered to. The risk is also reduced by ensuring that a comprehensive inventory of spare parts is contained on the ships and that qualified mechanical technicians are part of the personnel on board at all times.

##### *Cash flow risk*

The Company's activities expose it primarily to the financial risks of changes in foreign currency rates. The Company's cash flow risk is managed by the use of group funding. The Company does not enter into derivative financial instruments for speculative trading purposes.

##### *Credit risk*

Credit risk on liquid funds is limited because the counterparty is a bank with high credit ratings assigned by international credit rating agencies. The Company has no significant exposure to credit risk with customers who are major multinational oil and gas companies.

#### **Liquidity and going concern**

The Company has access to a working capital facility provided by Subsea 7 Treasury (UK) Limited which, in the opinion of the Directors, provides sufficient liquidity to support the business going forward. In addition, the Directors think that should additional short-term or long-term working capital be required, over and above that available from the Subsea 7 Treasury (UK) Limited facility, this would be made available from the Subsea 7 S A group.

In view of the current backlog, the mix of projects (day rate and lump sum) and the profit margins expected to be generated from the long-term charter agreements, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further details regarding the adoption of the going concern basis can be found in Note 1 to the financial statements.

## Subsea 7 International Contracting Limited

### Directors' report for the year ended 31 December 2012 (continued)

#### Results and dividends

The results for the year ended 31 December 2012 are set out on page 7. The results and statement of accumulated profit and loss reserves are as follows:

|                                       | \$'000 |
|---------------------------------------|--------|
| Accumulated gains at 31 December 2011 | 30,491 |
| Profit for the financial year         | 22,126 |
| Accumulated gains at 31 December 2012 | 52,617 |

No dividends have been paid or proposed in respect of the period (2011: Nil)

#### Employees

The Company had 82 employees in the current year (2011: Nil)

#### Directors

The Directors who served throughout the year and to the date of this report, are shown below:

Victor Jorge Snabaitis Bomfim  
Gael Cailleaux (resigned 30 September 2013)  
Stephen McNeill (appointed 30 September 2013)  
John Gordon  
Gary Gray  
Isoken Imohe (resigned 18 May 2012)

#### Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

#### Auditor

Each of the persons who are a Director of the Company at the date of approval of this report confirms that:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP will continue in office as auditor for the year ended 31 December 2013 and a resolution to appoint them will be proposed at the forthcoming annual general meeting. Subsequent to the audit for the year ended 31 December 2013, Deloitte LLP will be resigning as auditor and Ernst & Young LLP will be appointed.

Approved by the Board of Directors and signed on behalf of the Board:



John Gordon  
Director  
11 November 2013

## **Subsea 7 International Contracting Limited**

### **Directors' responsibilities statement**

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations

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

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- confirm that applicable UK Accounting Standards have been followed, 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.

## **Subsea 7 International Contracting Limited**

### **Independent Auditor's report to the members of Subsea 7 International Contracting Limited**

We have audited the financial statements of Subsea 7 International Contracting Limited for the year ended 31 December 2012 which comprise the profit and loss account, the balance sheet and the related Notes 1 to 19. 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).

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.

#### **Respective responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the period 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where 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.

G. Hollis

Graham Hollis ACA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor, Aberdeen  
11 November 2013

## Subsea 7 International Contracting Limited

### Profit and loss account Year ended 31 December 2012

|                                                      | Note | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|------------------------------------------------------|------|--------------------------|--------------------------|
| <b>Turnover: continuing operations</b>               | 2    | 223,978                  | 193,976                  |
| Cost of sales                                        |      | (192,517)                | (167,089)                |
| <b>Gross profit</b>                                  |      | 31,461                   | 26,887                   |
| Administrative expenses                              |      | (3,028)                  | (447)                    |
| <b>Total administrative expenses (net)</b>           |      | (3,028)                  | (447)                    |
| <b>Operating profit: continuing operations</b>       | 4    | 28,433                   | 26,440                   |
| Interest payable and similar charges                 | 5    | (760)                    | (1,970)                  |
| Other income                                         |      | -                        | 22                       |
| <b>Profit on ordinary activities before taxation</b> |      | 27,673                   | 24,492                   |
| Tax (charge)/credit on profit on ordinary activities | 6    | (5,547)                  | 622                      |
| <b>Profit for the year/period</b>                    |      | 22,126                   | 25,114                   |

The turnover and profit for the year/period have been derived from continuing operations

The Company has no recognised gains or losses in the current year or prior period other than the profit reported above. Accordingly, no Statement of Total Recognised Gains and Losses is presented

# Subsea 7 International Contracting Limited

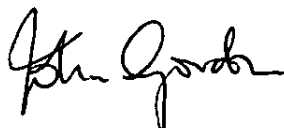
## Balance Sheet

As at 31 December 2012

|                                                        | Note | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|--------------------------------------------------------|------|--------------------------|--------------------------|
| <b>Non current assets</b>                              |      |                          |                          |
| Tangible fixed assets                                  | 7    | 91,737                   | 86,662                   |
| Other non current assets                               |      | 202                      | -                        |
| Derivative financial instruments                       |      | 17                       | -                        |
| <b>Total non current assets</b>                        |      | <b>91,956</b>            | <b>86,662</b>            |
| <b>Current assets</b>                                  |      |                          |                          |
| Stock                                                  | 8    | 6,502                    | 5,864                    |
| Debtors amounts falling due within one year            | 9    | 58,245                   | 94,608                   |
| Debtors amounts falling due after more than one year   | 9    | -                        | 3,596                    |
| Cash at bank and in hand                               |      | 4,822                    | 9,827                    |
| <b>Total current assets</b>                            |      | <b>69,569</b>            | <b>113,895</b>           |
| Creditors amounts falling due within one year          | 10   | (68,751)                 | (129,906)                |
| <b>Net current assets/(liabilities)</b>                |      | <b>818</b>               | <b>(16,011)</b>          |
| <b>Total assets less current liabilities</b>           |      | <b>92,774</b>            | <b>70,651</b>            |
| Creditors amounts falling due after more than one year | 11   | (157)                    | (160)                    |
| <b>NET ASSETS</b>                                      |      | <b>92,617</b>            | <b>70,491</b>            |
| <b>Capital and reserves</b>                            |      |                          |                          |
| Share capital                                          | 13   | -                        | -                        |
| Share premium account                                  | 14   | 40,000                   | 40,000                   |
| Profit and loss account                                | 14   | 52,617                   | 30,491                   |
| <b>SHAREHOLDERS' FUNDS</b>                             | 15   | <b>92,617</b>            | <b>70,491</b>            |

The financial statements of Subsea 7 International Contracting Limited, Company registration number 03073521 were approved by the Board of Directors on 11 November 2013

Signed on behalf of the Board of Directors



John Gordon  
Director

## **Subsea 7 International Contracting Limited**

### **Notes to the financial statements for the year ended 31 December 2012**

#### **1 Accounting policies**

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

##### **Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice)

In 2011, the Directors agreed to change the Company's accounting reference date to 31 December. As a result, the comparative figures are for the 13 months ended 31 December 2011, as previously reported. These financial statements include the Company's results for the 12 months ended 31 December 2012. The balance sheet is presented as at 31 December 2012 with comparative figures as at 31 December 2011.

##### **Basis of preparation**

The Company's liquidity risk is discussed in the Directors' report. After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts as stated in the Directors' report.

##### **Cash flow statement**

The Company is exempt from the requirement of FRS 1 to include a cash flow statement as part of its financial statements on the basis that it is a subsidiary of Subsea 7 S A, which includes the Company in its own publicly available consolidated financial statements.

##### **Tangible fixed assets**

Tangible fixed assets are shown at cost less accumulated depreciation and any provision for impairment. Depreciation is provided at rates calculated to write-off the cost less estimated residual value of each asset on a straight-line basis over its estimated useful life as follows:

|                         |                                      |
|-------------------------|--------------------------------------|
| Operating equipment     | 3 to 10 years                        |
| Surface support vessels | 6 to 15 years                        |
| Dry-docking costs       | over the period to the next dry-dock |

Assets under construction are not depreciated.

##### **Stock**

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### **Long-term contracts**

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

## **Subsea 7 International Contracting Limited**

### **Notes to the financial statements (continued) for the year ended 31 December 2012**

#### **1 Accounting policies (continued)**

##### **Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

The Company joined the UK tonnage tax regime during the year ended 30 November 2005. A key feature of this regime is that the commercial profits from the ship operations qualifying as tonnage tax activities are adjusted by reference to a formula linked to the tonnage of the vessels, before being taxed at the UK statutory tax rate

##### **Functional and presentation currency**

The financial statements are presented in United States Dollars (\$) which is the Company's functional and presentation currency

##### **Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any exchange differences are included in the profit and loss account

##### **Mobilisation expenditure**

Mobilisation expenditures which consist of expenditure incurred prior to the deployment of a vessel are classified as prepayments and expensed over the period of the lease charter

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate can be made of the amount of the obligation. Provisions are discounted to present value where the time value of money is material

## **Subsea 7 International Contracting Limited**

### **Notes to the financial statements (continued) for the year ended 31 December 2012**

#### **1 Accounting policies (continued)**

##### **Revenue recognition**

Long-term contracts are accounted for using the percentage of completion method. Revenue and gross profit are recognised each period based upon the advancement of the work-in-progress unless the stage of completion is insufficient to enable a reasonably certain forecast of gross profit to be established. In such cases, no gross profit is recognised during the period. The percentage of completion is calculated based on the ratio of costs incurred to date to total estimated costs. If the stage of completion is insufficient to enable a reliable estimate of gross profit to be established (typically when less than 5% completion has been achieved), revenues are recognised to the extent of contract costs incurred where it is probable that they will be recoverable. Provisions for anticipated losses are made in the period in which they become known.

A major portion of the Company's revenue is billed under fixed-price contracts. However, due to the nature of the services performed, variation orders and claims are commonly billed to the customers in the normal course of business and are recognised as contract revenue when realisation is probable and can be reasonably estimated. In addition, some contracts contain incentive provisions based upon performance in relation to established targets which are recognised in the contract estimates when deemed realisable.

The financial reporting of the Company's contracts depends on estimates, which are assessed continually during the term of these contracts. Recognised revenues and profits are subject to revisions as the contract progresses to completion and revisions in profit estimates are reflected in the period in which the facts that give rise to the revision become known.

##### **Leases**

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if the payments are not made on such a basis.

##### **Derivative financial instruments**

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for speculative trading purposes.

##### **Share-based payments**

Certain employees of the Company receive part of their remuneration in the form of share options, shares and cash-settled share-based bonuses based on the performance of the Group.

Cash-settled share-based payments are measured at fair value on the date on which the awards were granted. The cost is recognised and re-measured at the balance sheet date until the liability is settled with any changes in fair value recognised in the Profit & loss account.

#### **2 Turnover and segmental information**

The Company has two classes of business being the provision of support shipping services to third parties and other Group undertakings, and the provision of engineering and subsea construction services to the offshore oil and gas industry. In the opinion of the Directors, the disclosure of segmental information would be seriously prejudicial to the interests of the Company and has therefore not been provided.

## Subsea 7 International Contracting Limited

### Notes to the financial statements (continued) for the year ended 31 December 2012

#### 3 Information on Staff and Directors

Employee costs during the year/period amounted to

|                       | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|-----------------------|--------------------------|--------------------------|
| Wages and salaries    | 730                      | -                        |
| Social security costs | 2                        | -                        |
| Other pension costs   | 26                       | -                        |
|                       | 758                      | -                        |

The average monthly number of persons (including Executive Directors) employed by the Company during the year/period was as follows

|                | 31 Dec<br>2012<br>Number | 31 Dec<br>2011<br>Number |
|----------------|--------------------------|--------------------------|
| Directors      | 3                        | -                        |
| Administration | 78                       | -                        |
| Production     | 1                        | -                        |
|                | 82                       | -                        |

#### Directors' remuneration

In 2011, the Company had no employees. In 2012, 82 employees from Subsea 7 (UK Service Company) Limited were transferred to the Company including three Directors. The costs associated with these three Directors are recharged to other Subsea 7 S A group companies. The remaining two Directors are employees of other group companies and the Company is not recharged for their costs. Therefore as none of the Directors receive remuneration in respect of their services of the Company, it is considered impractical to separate their emoluments between various group companies.

Staff costs for the remaining contractual employees are borne by the Company with any work undertaken by them for other group companies being recharged to those group companies. Staff costs for the vessel workers are borne by another group undertaking and are recharged to the Company.

#### 4 Operating profit

Operating profit is stated after charging / (crediting)

|                                                                                      | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|--------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Depreciation of tangible fixed assets (Note 7)                                       | 11,264                   | 7,785                    |
| Foreign exchange losses/(gains)                                                      | 1,974                    | (316)                    |
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 8                        | 2                        |

There were no fees payable in respect of non-audit services (2011 Nil)

## Subsea 7 International Contracting Limited

### Notes to the financial statements (continued) for the year ended 31 December 2012

#### 5 Interest payable and similar charges

|                                                | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|------------------------------------------------|--------------------------|--------------------------|
| Interest on borrowings from group undertakings | 760                      | 1,118                    |
| Foreign exchange losses                        | -                        | 852                      |
|                                                | 760                      | 1,970                    |

#### 6 Tax charge / (credit) on profit on ordinary activities

The tax charge/(credit) comprises of

|                                                                   | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|-------------------------------------------------------------------|--------------------------|--------------------------|
| <b>Current tax</b>                                                |                          |                          |
| UK corporation tax charge                                         | 4,662                    | 1,417                    |
| Foreign tax charge                                                | 804                      | -                        |
| UK prior year tax adjustment                                      | (83)                     | (1,301)                  |
| <b>Total current tax</b>                                          | 5,383                    | 116                      |
| <b>Deferred tax</b>                                               |                          |                          |
| Origination and reversal of timing differences                    | 146                      | (768)                    |
| Impact of tax rate change                                         | 18                       | 30                       |
| <b>Total deferred tax (see Note 12)</b>                           | 164                      | (738)                    |
| <b>Total tax charge/(credit) on profit on ordinary activities</b> | 5,547                    | (622)                    |

During the year the 2012 Finance Bill was enacted which would reduce the UK Corporation tax from 24% to 23% from 1 April 2013. As such deferred tax balances have been recognised at this rate.

The UK Government announced on 20 March 2013 that the rate of Corporation tax will reduce each year until the rate reaches 21% from 1 April 2014 and to 20% from 1 April 2015, and these further reductions were subsequently enacted in the 2013 Finance Act. However, in line with the requirements of FRS 19 deferred tax has not been recognised at these rates as they have not been substantively enacted at the balance sheet date.

## Subsea 7 International Contracting Limited

### Notes to the financial statements (continued) for the year ended 31 December 2012

#### 6 Tax charge / (credit) on profit on ordinary activities (continued)

The average standard rate of tax for the year/period, based on the weighted average UK standard rate of corporation tax, is 24.49% (2011: 26.6%). The actual current tax charge for the current year and previous period is different from that resulting from the standard rate for the reasons set out in the following reconciliation:

|                                                                                               | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|-----------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Profit on ordinary activities before taxation                                                 | 27,673                   | 24,492                   |
| Profit on ordinary activities at the standard UK corporation tax rate at 24.49% (2011: 26.6%) | 6,777                    | 6,517                    |
| Effects of:                                                                                   |                          |                          |
| Foreign tax not recoverable                                                                   | 804                      | -                        |
| Tonnage tax regime                                                                            | (2,232)                  | (5,385)                  |
| Prior year adjustment                                                                         | (83)                     | (1,301)                  |
| Permanent differences                                                                         | 140                      | 18                       |
| Timing differences                                                                            | (23)                     | 267                      |
| Current tax charge for the year/period                                                        | 5,383                    | 116                      |

#### 7 Tangible fixed assets

The movement during the year was as follows:

|                                 | Construction<br>in progress<br>\$'000 | Operating<br>equipment<br>\$'000 | Surface<br>support<br>vessels<br>\$'000 | Land &<br>buildings<br>\$'000 | Dry<br>Docking<br>\$'000 | Total<br>\$'000 |
|---------------------------------|---------------------------------------|----------------------------------|-----------------------------------------|-------------------------------|--------------------------|-----------------|
| <b>Cost</b>                     |                                       |                                  |                                         |                               |                          |                 |
| At 1 January 2012               | 613                                   | 29,056                           | 97,015                                  | 41                            | -                        | 126,725         |
| Additions at cost               | 16,339                                | -                                | -                                       | -                             | -                        | 16,339          |
| Transfers                       | (16,309)                              | 4,125                            | -                                       | -                             | 12,184                   | -               |
| At 31 December 2012             | 643                                   | 33,181                           | 97,015                                  | 41                            | 12,184                   | 143,064         |
| <b>Accumulated depreciation</b> |                                       |                                  |                                         |                               |                          |                 |
| At 1 January 2012               | -                                     | 23,514                           | 16,508                                  | 41                            | -                        | 40,063          |
| Charge for the year             | -                                     | 2,384                            | 6,037                                   | -                             | 2,843                    | 11,264          |
| At 31 December 2012             | -                                     | 25,898                           | 22,545                                  | 41                            | 2,843                    | 51,327          |
| <b>Net book value</b>           |                                       |                                  |                                         |                               |                          |                 |
| At 31 December 2012             | 643                                   | 7,283                            | 74,470                                  | -                             | 9,341                    | 91,737          |
| At 31 December 2011             | 613                                   | 5,542                            | 80,507                                  | -                             | -                        | 86,662          |

The above fixed assets are held largely for charter under operating leases.

## Subsea 7 International Contracting Limited

### Notes to the financial statements (continued) for the year ended 31 December 2012

#### 8 Stock

|                             | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|-----------------------------|--------------------------|--------------------------|
| Spare parts and consumables | 6,502                    | 5,864                    |

#### 9 Debtors

|                                             | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|---------------------------------------------|--------------------------|--------------------------|
| <b>Amounts falling due within one year:</b> |                          |                          |
| Trade debtors                               | 20,699                   | 58,979                   |
| Prepayments and accrued income              | 5,430                    | 6,448                    |
| Other debtors                               | 1,357                    | -                        |
| Deferred tax asset (Note 12)                | 206                      | 370                      |
| Amounts owed by group undertakings          | 30,553                   | 28,811                   |
|                                             | 58,245                   | 94,608                   |

|                                                      | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|------------------------------------------------------|--------------------------|--------------------------|
| <b>Amounts falling due after more than one year:</b> |                          |                          |
| Prepayments                                          | -                        | 3,596                    |
|                                                      | -                        | 3,596                    |

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

|                                    | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|------------------------------------|--------------------------|--------------------------|
| Trade creditors                    | 859                      | 1,896                    |
| Corporation tax                    | 4,767                    | 1,407                    |
| Norwegian tax                      | 804                      | -                        |
| Accruals and deferred income       | 23,253                   | 14,181                   |
| Amounts owed to group undertakings | 38,655                   | 112,422                  |
| Other creditors                    | 413                      | -                        |
|                                    | 68,751                   | 129,906                  |

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

|                                  | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|----------------------------------|--------------------------|--------------------------|
| Derivative financial instruments | 157                      | -                        |
| Deferred bonus                   | -                        | 160                      |
|                                  | 157                      | 160                      |

## Subsea 7 International Contracting Limited

### Notes to the financial statements (continued) for the year ended 31 December 2012

#### 12 Deferred tax

|                                                        | Total<br>\$'000 |
|--------------------------------------------------------|-----------------|
| At 1 January 2012                                      | (370)           |
| Credited to profit and loss account (Note 6)           | 146             |
| Adjustment to deferred tax due to rate effect (Note 6) | 18              |
| <b>At 31 December 2012</b>                             | <b>(206)</b>    |

Deferred tax is provided as follows

|                                | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|--------------------------------|--------------------------|--------------------------|
| Accelerated capital allowances | (206)                    | (370)                    |

#### 13 Called up share capital

|                                  | 31 Dec<br>2012 | 31 Dec<br>2011 |
|----------------------------------|----------------|----------------|
| <b>Authorised</b>                |                |                |
| 1,000 ordinary shares of £1 each | 1,000          | 1,000          |

|                                           | 31 Dec<br>2012 | 31 Dec<br>2011 |
|-------------------------------------------|----------------|----------------|
| <b>Called up, allotted and fully paid</b> |                |                |
| 40 ordinary shares of £1 each             | 40             | 40             |

#### 14 Reserves

|                                 | Share<br>premium<br>account<br>\$'000 | Profit and<br>loss account<br>\$'000 |
|---------------------------------|---------------------------------------|--------------------------------------|
| At 1 January 2012               | 40,000                                | 30,491                               |
| Profit for the financial period | -                                     | 22,126                               |
| <b>At 31 December 2012</b>      | <b>40,000</b>                         | <b>52,617</b>                        |

## Subsea 7 International Contracting Limited

### Notes to the financial statements (continued) for the year ended 31 December 2012

#### 15 Reconciliation of movements in shareholders' funds

|                                      | 31 Dec<br>2012<br>\$'000 | 31 Dec<br>2011<br>\$'000 |
|--------------------------------------|--------------------------|--------------------------|
| Profit for the financial period/year | 22,126                   | 25,114                   |
| Net movement in shareholders' funds  | 22,126                   | 25,114                   |
| Opening shareholders' funds          | 70,491                   | 45,377                   |
| Closing shareholders' funds          | 92,617                   | 70,491                   |

#### 16 Related party transactions

The Company is exempt under the requirements of FRS 8 to include details of transactions with related parties who are fellow group undertakings. There were no other related party transactions in the current period or preceding year.

#### 17 Share based payments

The Subsea 7 S A Group operates several share-based payment schemes, both equity-settled and cash-settled. The following table summarises the compensation expense recognised in the Consolidated Income Statement during the period.

| For the period (in \$ thousands)                                             | 2012        | 2011     |
|------------------------------------------------------------------------------|-------------|----------|
| <b>Expense arising from equity-settled share-based payment transactions:</b> |             |          |
| 2003 Plan                                                                    | 0.3         | –        |
| <b>Expense arising from cash-settled share-based payment transactions:</b>   |             |          |
| 2010 Long-term Incentive Plan – cash plan                                    | 10.5        | –        |
| <b>Total</b>                                                                 | <b>10.8</b> | <b>–</b> |

#### Cash Settled Schemes

##### *2010 Long-term Incentive Plan – cash plan*

This cash-settled scheme is closed to new awards. All existing awards will vest during 2013, subject to service conditions.

#### Recognised cash-settled share-based payment liability

The carrying amount of the liability relating to the cash-settled share-based payments as at 31 December 2012 was \$10,514 (2011 Nil).

#### 18 Post Balance Sheet Events

##### *Kommandor 3000*

On 9 April 2013, Subsea 7 S A announced the award of a contract worth in excess of USD \$350 million from Petroleo Brasileiro S A (Petrobras). The contract is for the operation of the Pipe Lay Support Vessel (PLSV) Kommandor 3000 on a day rate basis for five years with operations starting in 2013.

##### *Seven Phoenix*

On 2 July 2013 Subsea 7 S A announced the award of a new contract worth USD \$450 million by Petroleo Brasileiro S A (Petrobras). The contract is for the operation of the PLSV Seven Phoenix on a day-rate basis for five years with operations starting in the third quarter of 2013.

## **Subsea 7 International Contracting Limited**

### **Notes to the financial statements (continued) for the year ended 31 December 2012**

#### **18 Post Balance Sheet Events (continued)**

##### *Normand Seven*

On 4 July 2013 Subsea 7 S A announced the award a new contract worth USD \$400 million by Petroleo Brasileiro S A (Petrobras). The contract is for the operation of the PLSV Normand Seven on a day-rate basis for five years with operations starting in the fourth quarter of 2013.

##### *New-build Pipelay Support Vessels (PLSVs)*

On 8 July 2013 Subsea 7 S A announced the award of three contracts from Petrobras with a combined value of approximately USD \$1.6 billion for the construction and operation of three new-build flexible PLSVs.

The vessels are scheduled to be delivered in Q3 2016, Q4 2016 and Q2 2017 respectively.

The work scope of each of these 5 year contracts is similar to that of the PLSVs which Subsea 7 currently operates offshore Brazil, comprising of project management, engineering and installation of flowlines, umbilicals and equipment supplied by Petrobras.

On 21 October 2013 Subsea 7 S A announced the award of two contracts with a combined value (at the time of contract signature) in excess of US\$600 million from Petrobras. The contracts are for operation of the PLSVs, Seven Mar and Seven Condor on a day rate basis for approximately three years, with operations starting toward the end of 2013 for Seven Mar and in the third quarter of 2014 for Seven Condor.

##### *UOTE project suspension*

Post year-end Petrobras notified the Company of their intent to remove the offshore work scope from the UOTE project offshore Brazil. Due to the uncertainty surrounding the final outcome of this decision the Company de-recognised, in 2013, the profit previously recognised to date under the percentage-of-completion method of \$14.9m.

#### **19 Ultimate parent company**

The Company's immediate parent undertaking is Subsea 7 Senior Holdings (UK) Limited, a company incorporated in the United Kingdom. This changed from Subsea 7 Holdings (UK) Limited on 16 July 2012.

The Company's ultimate parent undertaking and controlling party at 31 December 2012 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 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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