

XODUS GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

COMPANIES HOUSE
EDINBURGH

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XODUS GROUP LIMITED

DIRECTORS AND OTHER INFORMATION

Directors: S K Swindell
S Duncan (appointed 8 May 2019)
G C Sharland (appointed 8 May 2019)

Registered Office: Xodus House
50 Huntly Street
Aberdeen
AB10 1RS

Registered Number: SC286421

Independent auditor: Ernst and Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Company secretary: T A Hart

XODUS GROUP LIMITED

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XODUS GROUP LIMITED

STRATEGIC REPORT

The directors present the strategic report for the year ended 31 December 2018.

Principal activities

The principal activity of the Company is the provision of consultancy services to the energy sector including services in the oil and gas, renewable energy and environmental business areas. The Company primarily operates in the UK, Europe and the Middle East but also has some activity worldwide.

Results and key performance indicators

In the year ended 31 December 2018, the Company achieved turnover of £32.9 million (2017: £32.8 million) and an operating profit of £0.1 million (2017: operating loss of £1.2 million), including exceptional expenses of £1.7 million (2017: £0.6 million). The profit for the year before taxation amounted to £0.1 million (2017: loss of £1.2 million). The directors do not recommend payment of a dividend for the year (2017: nil).

The directors consider the key performance indicators of the business to be turnover, operating results and the non-financial measure of staff utilisation. Staff utilisation is monitored by geographical area and service line for the Xodus Group (Holdings) Limited group, rather than at an entity level, so is not disclosed here. It is not considered necessary for an understanding of the development, performance or position of the business.

Business review and future developments

In 2018 the business saw steady activity, similar to the prior year, but delivered with a more efficient resource base leading to additional profitability at a gross profit level. Tendering activity levels were high and higher levels of optimism for future business growth lead to an increase in headcount towards the end of 2018. The renewables, environmental services and decommissioning business lines have all shown potential and are expected to further expand in 2019.

During 2018 the Company completed its programme to scale back its presence in the Middle East.

Overhead costs continue to be monitored closely and, excluding depreciation and amortisation, overhead costs were lower than the prior year. At 31 December 2018 the Company continued to hold excess office space in a number of locations. In 2019 an agreement was reached to exit one of these properties, for which an onerous lease provision had been recognised.

The Xodus Subsea Limited joint venture ceased trading in 2016 and is now a dormant company. The joint venture partners are working together to liquidate the assets and liabilities of the joint venture. An impairment charge of £127,000 was recognised in 2018 to value the Company's investment in the joint venture at its net realisable value. The XMOS Africa Limited joint venture did not trade in 2018, post year end the Company sold its share in the joint venture to its Joint Venture partner.

In February 2018, Subsea 7 International Holdings (UK) Limited acquired a 60% interest in the Company's parent company, Xodus Group (Holdings) Limited. Chiyoda Corporation retained a 40% interest in Xodus Group Holding Limited until March 2019 when it sold its remaining shares to Subsea 7.

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's risk management programme seeks to limit the adverse effects of these factors on its financial performance. The key business risks and uncertainties affecting the Company include:

Economic risk

The Company's business is dependent on the level of activity in the oil and gas and renewable energy industries and, consequently, any significant change in the level or timing of clients' expenditure plans could adversely impact order intake and levels of activity. Such plans could be impacted by fluctuating energy prices which in turn can be driven by political conditions and technological development as well as decisions taken by OPEC and non-OPEC members on production levels. A rapid increase or decrease in demand could outpace the Company's ability to resize its capacity for service provision.

The Company works closely with its clients to understand their future project and expenditure plans. The Company regularly reviews and adjusts its cost base to reflect market conditions and projections.

STRATEGIC REPORT (CONTINUED)

Competition risk

The Company faces competition to win the contracts needed to maintain a sustainable backlog of future work. This competition may result in pricing pressures. This may have an adverse impact on the Company's financial performance and position. The Company's experience and resources, in particular its people, help it to differentiate and respond effectively to challenges from competitors.

Human resource related risk

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

The Company 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 Company also monitors attrition and has developed appropriate remuneration and incentive packages to help attract and retain key employees. Performance management processes are in place to help develop staff and identify high-potential individuals for key roles in the business.

Geographic risk

The Company operates in primarily in the United Kingdom and also in several countries worldwide, each with specific political, economic and social characteristics which can give rise to various risks and uncertainties that can, on occasion, adversely impact project execution and financial performance, including but not limited to:

- Economic instability
- Legal, fiscal and regulatory uncertainty and change
- Sanctions and export controls
- Civil or political unrest, including war
- Regime change

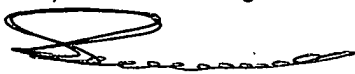
Country or regional risks are identified and evaluated before and during Company operations in such markets. Appropriate risk responses are developed and implemented to mitigate the likelihood and impact of identified risks. The Company adopts a proactive and rigorous approach to assessing and mitigating these risks.

Brexit

The outcome and impact of Brexit on the business continues to be unknown but it is being monitored by the directors.

The financial risk management policies and objectives are discussed in the Directors' report on pages 3-5.

Approved by the Board and signed on behalf of the Board



S K Swindell

Director

22 January 2020

XODUS GROUP LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Information on the principal activities, review of business, future developments and principal risks and uncertainties is included in the Strategic Report on pages 1 and 2.

Directors and Company Secretary

The following directors have held office since 1 January 2018 and up to the date of this report, unless otherwise stated:

S K Swindell

S Duncan (appointed 8 May 2019)

G C Sharland (appointed 8 May 2019)

Existence of branches outside the UK

The Company has one registered branch outside the UK in Abu Dhabi, UAE.

Financial risk management

The Company's activities expose it to a number of financial risks including cash flow and liquidity risk, credit risk and interest risk.

Cash flow and liquidity risk

The Company's working capital position is affected by the timing of project cash flows where the timing of receipts from clients may not necessarily match the timing of payments made to employees and suppliers. The availability of financing facilities may be required to meet obligations as they fall due. In the event that such financing were to be unavailable or withdrawn, the Company's activities would be significantly constrained.

Since March 2019, the Company is part of the Subsea 7 S.A. Group's centralised financing arrangements which, through committed banking facilities, seeks to meet the working capital requirements of all group companies. The Subsea 7 S.A. Group actively maintains a mixture of long-term and short-term committed facilities that are designed to ensure the Subsea 7 S.A. Group has sufficient available funds for operations and planned expansions. The Subsea 7 S.A. 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 Subsea 7 S.A. group company.

Credit risk

The Company's principal financial assets are trade and other receivables and bank balances.

The Company's credit risk is primarily attributable to its trade receivables, amounts due from related parties and bank and cash balances. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The credit risk on liquid funds is considered limited because the counterparties are banks with good credit-ratings assigned by recognised credit-rating agencies.

Interest rate risk

The Company is exposed to interest rate risk on borrowings and monitors debt levels and associated finance costs on an ongoing basis to assist in developing appropriate measures and actions.

XODUS GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

Financial Instruments

The Company's activities expose it primarily to the risks of changes in foreign currency exchange rates. The Company monitors exposure on an ongoing basis and considers the merits of forward contracts and hedging. At 31 December 2018 no such contracts were in place.

Employee consultation and communication

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Xodus group of companies. This is achieved through formal and informal meetings and the group intranet.

In preparing the Directors Report, the Directors have complied with S414C (11) of the Companies Act 2006 by including certain disclosures required by S416 (4) within the Strategic Report.

Going concern

The Company has net liabilities of £4.3 million as at 31 December 2018. The directors, having considered the financial position of the Company and future trading prospects and having received confirmation of the continuing financial support of Subsea 7 International Holdings (UK) Limited are of the opinion that the Company will continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Research and development

During 2018 the Company continued to develop software updates as part of the upgrading process of internal software systems. The associated costs expensed in the year were £284,000 (2017: £221,000).

Directors indemnities

The group has qualifying third party indemnity provisions in place for the benefit of its directors which remain in force at the date of this report.

Events since the Balance Sheet date

In March 2019 Subsea 7 International Holdings (UK) Limited ('Subsea 7') acquired the remaining 40% interest in the Company's parent company, Xodus Group (Holdings) Limited. As a result Subsea 7 S.A. became the 100% ultimate parent company.

In March 2019, the Company entered into a working capital agreement with a subsidiary company of Subsea 7 S.A. Subsequently in April 2019 the Company repaid its invoice discounting facility and this facility was closed in July 2019.

In July 2019 the Company sold its share of joint venture XMOS Africa Limited to its previous joint venture partner for a nominal sum. In addition the Company made a contribution toward the liabilities of XMOS Africa Limited outstanding as at the end of the financial year 2017.

In July 2019 the Company renounced a long-term lease for a property which was no longer in use. This lease was due to end in May 2030. The cost to exit the lease was fully provided for at 31 December 2018.

XODUS GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

The directors are responsible for keeping 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 have general responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

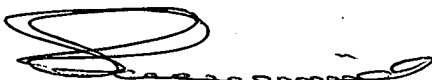
The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 3. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- 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.

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



S K Swindell

Director

22 January 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XODUS GROUP LIMITED

Opinion

We have audited the financial statements of Xodus Group Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss 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.

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 annual report, 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF XODUS GROUP LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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.

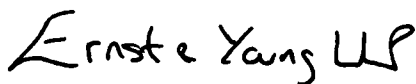
Auditor's responsibilities for the audit of the financial statements

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.



Kevin Weston (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen
22 January 2020

XODUS GROUP LIMITED
**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Notes	2018 £'000	2017 £'000
Turnover	3	32,859	32,828
Cost of sales		(24,226)	(26,570)
Gross profit		8,633	6,258
Administrative expenses – recurring		(6,974)	(7,189)
Administrative expenses – exceptional	5	(1,682)	(615)
Impairment of investments	12	(139)	-
Other operating income		279	365
Profit/(loss) from operating activities	4	117	(1,181)
Interest payable and similar charges	8	(62)	(40)
Profit/(loss) before tax		55	(1,221)
Taxation	9	(68)	(266)
Loss for the financial year		(13)	(1,487)
Other comprehensive loss:			
Exchange differences on retranslation of foreign operations		(5)	(57)
Total comprehensive loss for the year		(18)	(1,544)

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

XODUS GROUP LIMITED**BALANCE SHEET
AS AT 31 DECEMBER 2018**

	Notes	2018 £'000	2017 £'000
Fixed Assets			
Non-current assets			
Intangible assets	10	862	1,354
Property, plant and equipment	11	327	420
Investments	12	837	976
		2,026	2,750
Current assets			
Trade and other receivables	13	13,973	15,521
Cash and cash equivalents		479	225
Total current assets		14,452	15,746
Current liabilities	14	(19,003)	(22,095)
Net current liabilities		(4,551)	(6,349)
Non-current liabilities	15	(52)	(155)
Provisions for liabilities	18	(1,745)	(550)
Net liabilities		(4,322)	(4,304)
Equity			
Capital and reserves			
Called up share capital	19	235	235
Share premium	19	115	115
Other reserves	19	30,954	30,959
Profit and loss reserves	19	(35,626)	(35,613)
Total equity		(4,322)	(4,304)

The financial statements were approved by the Board of Directors and authorised for issue on 22 January 2020 and were signed on its behalf by:



S K Swindell
Director

Company Registration No. SC286421

XODUS GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called-up share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Other reserves £'000	Total £'000
Balance at 1 January 2017	235	115	(34,126)	31,016	(2,760)
Loss for the financial year	-	-	(1,487)	-	(1,487)
Currency translation gain on foreign currency operation	-	-	-	(57)	(57)
Total comprehensive loss	-	-	(1,487)	(57)	(1,544)
As at 31 December 2017	235	115	(35,613)	30,959	(4,304)
Loss for the financial year	-	-	(13)	-	(13)
Exchange differences on retranslation of foreign operations	-	-	-	(5)	(5)
Total comprehensive loss	-	-	(13)	(5)	(18)
Balance at 31 December 2018	235	115	(35,626)	30,954	(4,322)

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies

The particular accounting policies adopted are described below.

General information and basis of accounting

Xodus Group Limited (the 'Company') is a company limited by shares and incorporated in the UK under the Companies Act 2016 and is registered in Scotland. The registered office is Xodus House, 50 Huntly Street, Aberdeen, AB10 1RS. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1-2.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 'The Reporting Standard applicable in the UK and Republic of Ireland'. They are also prepared under the requirements of the Companies Act 2006.

The functional currency of Xodus Group Limited is considered to be pounds sterling, being the currency of the primary economic environment in which the Company operates. The financial statements are presented in pounds sterling and are rounded to the nearest £'000.

The Company is a wholly owned subsidiary of Xodus Group (Holdings) Limited. It is included in the consolidated financial statements of Xodus Group (Holdings) Limited, which are publicly available (Note 23). The Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. The financial statements therefore present information about the Company as an individual undertaking and not as a group.

Xodus Group Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following available exemptions in relation to certain disclosures on financial instruments:

- The requirements of Section 7 Statement of Cash Flows and paragraph 3.17(d)
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.42, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c), as the information is provided in consolidated financial statements of Xodus Group (Holdings) Limited
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7
- from disclosing transactions between wholly owned group companies per paragraph 33.1A of FRS 102.

Going concern

The Company has net liabilities of £4.3 million as at 31 December 2018. The directors have considered the financial position and trading prospects for the Company and have also received confirmation of the continuing financial support from Subsea 7 International Holdings (UK) Limited (Note 23). Accordingly, the going concern basis continues to be adopted in preparing the financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives as follows:

Furniture, fittings and equipment	25-33% straight line
Tenant improvements	10-20% straight line, or period of lease if shorter
Computer equipment	33% straight line

Fixed asset investments

Investments in subsidiaries and joint ventures are recorded at cost less impairment. Provision for impairment is recognised when identified.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

1. Accounting policies (continued)

Intangible assets

Goodwill represents the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life, estimated at 10 years.

Licences are recorded at cost and are amortised in equal instalments over their estimated economic lives, which range from 3 to 8 years. Provisions are made for any impairment when identified.

Where the directors are satisfied as to the technical, commercial and financial viability of individual developed software projects, the identifiable expenditure is capitalised as an intangible asset and amortised over the expected period of benefit. A provision is made for any impairment when identified.

Foreign currencies

Transactions in foreign currencies are translated into pound sterling at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Exchange gains and losses are recognised in the profit and loss account.

The results of overseas operations are translated into sterling at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income and accumulated in equity. Other exchange differences are recognised in profit or loss in the period in which they arise.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the lessees. All other leases are classified as operating leases.

Assets held under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in liabilities net of finance charges. The finance element is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate of charge on the net obligation outstanding.

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

Pension

The Company operates a defined contribution pension scheme. The annual contributions payable are charged to the profit and loss account. Differences between payable in the year and contributions actually paid are shown either as accruals or prepayments in the balance sheet.

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viabilities of individual projects.

Turnover

Turnover represents the value of services rendered, net of sales taxes and discounts. Turnover represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the services provided to date based on the state of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of current liabilities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

1. Accounting policies (continued)

Taxation

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

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion in terms of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. 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.

Exceptional items

Exceptional items as disclosed on the face of the statement of the profit and loss account, are items which due to their significance and/or non-recurring nature are deemed appropriate to identify separately in order to draw them to the attention of the reader of the financial statements.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are represented by cash and cash equivalents, account receivables, borrowings, account payables and other financial liabilities.

When a financial asset or financial liability is recognised initially, it is measured at transaction price unless the arrangement constitutes, in effect, a financing transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The Company has no financial instruments that upon their initial recognition are designated as at fair value through profit or loss. Therefore, subsequent to initial recognition financial assets and liabilities of the Company are measured at amortised cost using the effective interest method, unless they are classified as payable or receivable within one year on initial recognition, in which case they are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

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

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

1. Accounting policies (continued)

The accounting policies for key financial instruments held by the Company are set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash with banks, and deposits with an original maturity of less than three months.

Accounts receivable

Accounts receivable held by the Company, are non-interest bearing and current, and are stated at transaction prices, which approximates to their fair value on initial recognition. Appropriate allowances for estimated irrecoverable amounts are recognised subsequent to initial recognition in the profit and loss statement when there is objective evidence that an asset is impaired.

Invoice discounting advances and other loans ('Borrowings')

Borrowings are initially measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument which is normally approximated by the amount of net proceeds received and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds and the settlement or redemption amount is recognised over the term of the borrowings and recorded as finance costs.

Trade and other accounts payable

Accounts payable are short term and are measured at the undiscounted amount of the cash or other consideration expected to be paid which normally constitute a transaction price.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, judgements, estimates and assumptions are required about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are subject to review on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of accounting judgements

The critical judgements made in the process of applying the Company's accounting policies which have the most significant effect on the amounts recognised in the financial statements are considered below.

Revenue recognition

For reimbursable day rate contracts turnover is recognised as the work is performed based on time spent by personnel on respective projects and contracted day rates. Revenue recognition criteria is judged to be satisfied through the time charged on respective projects with service revenue being recognised to the extent that the receipt of the related revenues is considered probable.

Turnover for lump sum contracts is calculated by reference to the estimated stage of completion. In making the judgement on the stage of completion management considers the value of work performed to date as a proportion of the total contract value and prior history of completion of similar projects.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of non-financial assets

Where there are indicators of impairment, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation must be based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation must be based on a discounted cash flow model. The cash flows are derived from forecasts for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the cash generating unit being tested.

The carrying amount of goodwill at the balance sheet date is £318,000 (2017: £453,000). No impairment loss has been identified in either the current or prior year.

The carrying amount of investments at the balance sheet date is £837,000 (2017: £976,000), net of estimated impairment of £2,503,000. An impairment charge was recorded in the current year of £139,000 (2017: £nil). The impairment charge mainly related to the Company's investment in Xodus Subsea Limited ('XSL') which is in the process of being prepared for liquidation. As XSL is no longer trading, the value in use of XSL was estimated by considering the fair value of XSL's net assets. The investment was impaired such that the investment is valued at the Company's share of those net assets.

Recoverability of trade and other receivables and related party balances

The recoverable value of trade and other receivables requires to be estimated. When assessing recoverability of trade and other receivables with third parties, consideration is given to factors including the current credit rating of the receivables, the ageing profile and historical experience. The trade receivables balance at 31 December 2018 was stated net of a provision of £332,000 (2017: £135,000). In addition during the year a balance due from United Resources Limited of £324,000 was written off as irrecoverable. United Resources Limited is subject to an active strike off process at Companies House, and as a result there is no likelihood of recovering this receivable (Note 22).

Onerous lease provision

A provision for onerous lease contracts of £1,745,000 existed at 31 December 2018 (2017: £550,000). The associated lease was renounced in July 2019 and as a result the provision as at 31 December 2019 represents the payments that the Company made during 2019 in under the lease and the cost of renouncing the lease.

3. Turnover

Revenue represents to time-based charges for consulting services in a number of areas including energy production, technology development and environmental safety and compliance. No further analysis by class of business is considered necessary.

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

	2018 £'000	2017 £'000
Europe	25,895	25,933
Middle East and Asia	3,589	3,260
Africa	1,221	2,419
North America	1,311	617
Australia	843	599
	32,859	32,828

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

4. Operating profit/(loss)

Operating profit/(loss) is stated after charging the following:

		2018 £'000	2017 £'000
<i>Amortisation of intangible assets:</i>			
Goodwill	10	135	136
Licences and developed software	10	497	359
<i>Depreciation of tangible fixed assets:</i>			
Owned	11	302	175
Held under finance leases	11	-	4
<i>Operating lease rentals:</i>			
Plant and machinery		-	73
Other		1,459	1,473
Foreign exchange loss		174	119
Research and development expense		284	221

Fees payable to the Company's auditor and associates for:

	2018 £'000	2017 £'000
Audit of the Company's annual accounts	38	41
Total audit fees	38	41
Tax compliance services and total non-audit	-	25
Total	38	66

5. Administrative expenses – exceptional

During the year there were exceptional costs of £1,682,000 (2017: £615,000). These costs are identified as exceptional by virtue of their size and their nature. Exceptional costs mainly represented a £1,195,000 increase to the onerous lease provision (Note 18), redundancy costs of £258,000 and a £324,000 impairment of a receivable due from United Resources Limited ('URL') following the decision by the directors of URL, having considered the historical profitability and the future prospects for the entity, to apply for the strike off of URL at Companies House (Note 22).

6. Staff costs

Staff costs, including director's remuneration, were as follows:

	2018 £'000	2017 £'000
Wages and salaries	12,781	12,823
Social security costs	1,407	1,389
Other pension costs (Note 20)	1,278	1,259
	15,466	15,471

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

	2018 No.	2017 No.
Directors	1	3
Administration	40	34
Technical	172	152
	213	189

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

7. Directors' remuneration

	2018 £'000	2017 £'000
Emoluments	219	518
Company pension contributions to defined contribution pension schemes	-	26
	219	544

During the year no directors accrued retirement benefits in respect of defined contribution pension schemes (2017: one). The highest paid director received remuneration of £219,000 (2017: £170,000).

8. Interest payable

	2018 £'000	2017 £'000
Finance lease interest	8	6
Invoice discount interest	54	34
	62	40

9. Taxation

Tax charged in the Statement of Comprehensive Income is disclosed as follows:

	2018 £'000	2017 £'000
<i>Current tax:</i>		
UK corporation tax	-	-
Foreign tax	102	266
Current tax	102	266
Amounts overprovided in previous years	(34)	-
Total Current Tax	68	266
<i>Deferred tax:</i>		
Total deferred tax	-	-
Taxation charge reported in the Statement of Comprehensive Income	68	266

The standard rate of current for the year, based on the UK standard rate of corporation tax was 19%, (2017: 19.25%). The actual rate for the current year and the previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2018 £'000	2017 £'000
Profit/(loss) on ordinary activities before taxation	55	(1,221)
Expected tax charge/(credit) based on a corporation tax rate of 19.00% (2017 – 19.25%)	11	(235)
<i>Effects of:</i>		
Non-deductible expenses for tax purposes	29	152
Fixed asset and other timing differences	40	-
Effect of foreign taxes	84	215
Deferred tax not recognised	176	198
Tax overprovided in previous years	(34)	-
Change in tax laws and rates	(198)	-
Transfer pricing adjustments	(50)	-
R&D expenditure credits	(6)	(64)
Group relief surrendered/(claimed)	16	-
Total tax charge for the year	68	266

XODUS GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

10. Intangible assets

	Goodwill £'000	Licences £'000	Developed software £'000	Total £'000
Cost				
At 1 January 2018	1,270	3,363	140	4,773
Additions	-	-	140	140
Disposals	-	(1,896)	-	(1,896)
At 31 December 2018	1,270	1,467	280	3,017
Amortisation				
At 1 January 2018	817	2,574	28	3,419
Charge for year	135	454	43	632
Disposals	-	(1,896)	-	(1,896)
At 31 December 2018	952	1,132	71	2,155
Net book value				
At 31 December 2018	318	335	209	862
At 31 December 2017	453	789	112	1,354

11. Property, plant and equipment

	Fixtures and fittings £'000	Tenants improvements £'000	Computer equipment £'000	Totals £'000
Cost				
At 1 January 2018	756	1,697	3,108	5,560
Additions	11	5	193	209
Disposals	(327)	(651)	(3,069)	(4,047)
At 31 December 2018	440	1,051	232	1,723
Depreciation				
At 1 January 2018	756	1,316	3,069	5,140
Charge for year	4	249	49	302
Disposals	(327)	(651)	(3,068)	(4,046)
At 31 December 2018	433	914	49	1,396
Net book value				
At 31 December 2018	7	137	183	327
At 31 December 2017	-	381	39	420

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

12. Investments

	Investments in subsidiaries £'000	Investments in joint ventures £'000	Total £'000
Cost			
At 1 January 2018	539	2,801	3,340
At 31 December 2018	539	2,801	3,340
Provision for impairment			
At 1 January 2018	-	2,364	2,364
Charge for year	12	127	139
At 31 December 2018	12	2,491	2,503
Net book value			
At 31 December 2018	527	310	837
At 31 December 2017	539	437	976

Subsidiary undertakings

Name of company	Registered office	Nature of business	Proportion of Ordinary shares held
Aurora Environmental Limited	Xodus House, 50 Huntly Street, Aberdeen, AB10 1RS	Property rental	100%
Xodus DMCC	36th Floor, Swiss Tower, Cluster Y, Jumeirah Lakes Towers, Dubai, PO Box 487286, United Arab Emirates	Oil and gas consulting	100%
Xodus Group PTY LTD	Level 17, The Forrest Centre, 221 St Georges Terrace, Perth WA 6000, Australia	Oil and gas consulting	100%
Xodus Group A/S	Lysaker Torg 25, 3 Etasje, 1366 Lysaker, Oslo, Norway	Non-trading	100%
Xodus Group Inc	City Centre Five, 825 Town and Country Lane, Suite 1500, Houston, USA, TX 77024	Oil and gas consulting	100%
Xodus Group BV	88-90 Turfschipper, Wateringen, Den Haag, 2292 JB, Netherlands	Oil and gas consulting	100%

Joint ventures

Name of company	Registered office	Nature of business	Proportion of Ordinary shares held
XMOS Africa Limited	1 Kingsway Road, Marble House, Ikoyi-Lagos, Nigeria	Non-trading	49%
Xodus Subsea Limited	Cheapside House, 138 Cheapside, London, EC2V 6BJ	Non-trading	40%

The impairment charge recognised during the year of £139,000 mainly related to the Company's investment in Xodus Subsea Limited ('XSL') which is in the process of being prepared for liquidation. As XSL is no longer trading, the value in use of XSL was estimated by measuring the fair value of XSL's net assets. Post impairment charge, the Company's investment in XSL is valued at the Company's share of the fair value of XSL's net assets.

In July 2019 the Company sold its share of joint venture XMOS Africa Limited to its previous joint venture partner for a nominal sum. In addition the Company made a contribution toward the liabilities of XMOS Africa Limited outstanding as at the end of the financial year 2017.

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

13. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	4,487	4,658
Amounts owed by group undertakings	4,081	1,339
Amounts owed by related parties (Note 22)	297	5,425
Prepayments and accrued income	4,276	3,377
Other receivables	265	115
Research and Development Credit	567	607
	13,973	15,521

Amounts owed by group undertakings mainly represent amounts due from the immediate parent company, are interest free and repayable on demand.

14. Current liabilities

	2018 £'000	2017 £'000
Finance lease obligations (Note 16)	109	130
Invoice discounting advances (Note 16)	2,035	2,412
Trade payables	810	1,830
Amounts owed to group undertakings	11,570	8,539
Amounts owed to related parties (Note 22)	1,418	6,269
Social security and other taxes	915	812
Overseas tax payable	-	266
Accruals and deferred income	2,015	1,502
Other creditors	131	335
	19,003	22,095

Amounts owed to group undertakings mainly represents amounts due to the immediate parent company, which are interest free and repayable on demand.

15. Non-current liabilities

	2018 £'000	2017 £'000
Finance lease obligations (Note 16)	52	155
	52	155

16. Borrowings

	2018 £'000	2017 £'000
Invoice discounting advances	2,035	2,412
Finance leases obligations	161	285
Total borrowings	2,196	2,697

Total borrowings above were repayable as follows:

	2018 £'000	2017 £'000
Within one year	2,144	2,542
Between one and two years	52	155
	2,196	2,697

Finance lease obligations are secured over the relevant asset. The invoice discounting advance was secured over the associated trade receivables and was repaid in April 2019.

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

17. Deferred tax asset

A potential deferred tax asset amounting to £1,872,000 (2017: £1,740,000) was not recognised as its recoverability is dependent on future profitability and considered uncertain.

18. Provision for liabilities

	Onerous lease £'000
At 1 January 2018	550
Charged to the profit and loss account	1,195
At 31 December 2018	1,745

The onerous lease provision is in relation to an unoccupied property. In the prior year, the Company vacated the property as part of restructuring measures. The provision represented the estimated shortfall in future lease costs that was not expected to be covered by sublet or alternative use within the Company. The associated lease was renounced in July 2019, and the provision represents the full shortfall in this lease.

19. Called up share capital and reserves

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
200,000 Ordinary shares of £1 each	200	200
35,025 B Ordinary shares of £1 each	35	35
	235	235

The Ordinary and B Ordinary shares rank pari passu with respect to dividends and have full voting rights. On the winding up, liquidation or capital reduction of the Company, the B Ordinary shares have right to repayment of £4.28 per share in priority to any payment to the holders of the Ordinary shares. Thereafter, after repayment of £1 per share to the holders of Ordinary shares, the holders of Ordinary and B Ordinary shares are entitled to share any remaining surplus assets of the Company in proportion to the number of shares owned.

The Company's other reserves are as follows:

The share premium reserve represents the premium arising on issue of equity shares, net of issue expenses. The profit and loss reserve represents cumulative losses.

The other reserves represents a £30,932,000 capital contribution from prior years arising from the forgiveness of amounts due to the immediate parent company and cumulative translation gains and losses arising on the retranslation of the Company's Abu Dhabi branch.

20. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost in the year amounted to £1,278,000 (2017: £1,259,000). At 31 December 2018 contributions of £131,000 (2017: £104,000) were outstanding.

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

21. Operating lease commitments

Total future minimum lease payments under non-cancellable operating leases were as follows:

	2018 £'000	2017 £'000
Land and Buildings		
<i>Expiry date</i>		
Within 1 year	43	1,381
Between 2 and 5 years	3,902	2,367
After more than 5 years	3,160	3,326
	7,105	7,074

The lease noted in the table above with an expiry date after more than 5 years was renounced in July 2019.

22. Related party transactions

The Company has taken advantage of the exemption available under s33.1A of Financial Reporting Standard 102 with regard to non-disclosure of transactions between wholly owned group companies.

The total remuneration for key management personnel of the Company is disclosed in Note 7. The Company considers key management personnel to be the directors.

During the year the Company rendered and purchased a range of consulting services to and from related parties that are not subsidiaries of the wider group as summarised below. These amounts all relate to trading activities.

Related party	Relationship	2018 Sales £'000	2018 Purchases £'000	2017 Sales £'000	2017 Purchases £'000
		£'000	£'000	£'000	£'000
Chiyoda Corporation and subsidiaries	Shareholder of parent company	589	45	700	12
United Resources Limited	9.9% Equity investment	-	-	-	329
Xodus Subsea Limited and subsidiaries	Joint venture	1	-	17	60
Subsea 7 S.A. and subsidiaries	Shareholder of parent company	537	88	-	-
		1,127	133	717	401

The following balances were outstanding with related parties at the end of the year:

Related party	Relationship	2018 Due from £'000	2018 Due to £'000	2017 Due from £'000	2017 Due to £'000
		£'000	£'000	£'000	£'000
Chiyoda Corporation and subsidiaries	Shareholder of parent company	250	-	74	-
Xodus Subsea Limited and subsidiaries	Joint Venture	-	1,418	4,880	6,269
Subsea 7 S.A. and subsidiaries	Shareholder of parent company	47	-	-	-
United Resources Limited	9.9% Equity investment	-	-	268	-
		297	1,418	5,222	6,269

Amounts due from United Resources Limited ('URL') totalling £324,000, including a further advance of £56,000 were written off during the year when the directors of URL having considered the historical profitability and the future prospects for the entity applied for the strike off of URL at Companies House.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

23. Ultimate parent company

The Company's immediate and ultimate parent company is Xodus Group (Holdings) Limited, a company registered in Scotland. The largest and smallest group in which the results of the Company are consolidated is that headed by Xodus Group (Holdings) Limited. The group accounts may be obtained from its registered office: Xodus House, Huntly Street, Aberdeen, AB10 1RS.

In February 2018, Subsea 7 International Holdings (UK) Limited ('Subsea 7') acquired a 60% interest in Xodus Group (Holdings) Limited. Subsea 7 accounted for its share in Xodus Group (Holdings) Limited as a joint venture. Chiyoda Corporation retained a 40% interest in Xodus Group (Holdings) Limited.

In March 2019 Subsea 7 acquired the remaining 40% of Xodus Group (Holdings) Limited and became its parent company. The ultimate parent company from March 2019 is Subsea 7 S.A. a company registered in Luxembourg whose common shares trade on the Oslo Børs and as American Depositary Receipts (ADRs) over-the-counter in the USA. The address of its registered office is 412F, route d'Esch, L-2086 Luxembourg. Subsea 7 S.A. is not considered to have a controlling party.

24. Post balance sheet events

In March 2019 Subsea 7 International Holdings (UK) Limited ('Subsea 7') acquired the remaining 40% interest in the Company's parent company, Xodus Group (Holdings) Limited. As a result Subsea 7 S.A. became the 100% ultimate parent company.

In March 2019, the Company entered into a working capital agreement with a subsidiary company of Subsea 7 S.A. Subsequently in April 2019 the Company repaid its invoice discounting facility and this facility was closed in July 2019.

In July 2019 the Company sold its share of joint venture XMOS Africa Limited to its previous joint venture partner for a nominal sum. In addition the Company made a contribution toward the liabilities of XMOS Africa Limited outstanding as at the end of the financial year 2017.

In July 2019 the Company renounced a long-term lease for a property which was no longer in use. This lease was due to end in May 2030. The cost to exit the lease was fully provided for at 31 December 2018.