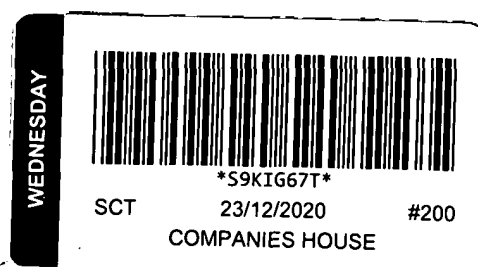


XODUS GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



XODUS GROUP LIMITED

DIRECTORS AND OTHER INFORMATION

Directors:	S K Swindell S Duncan G C Sharland
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 Xodus Group Limited ("the Company") for the year ended 31 December 2019. This report is specific to the Company and not the wider Subsea 7 S.A. group. The results for the Subsea 7 S.A. group are contained within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. which can be found at www.subsea7.com.

Review of the business

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. The Company is also an intermediate holding company within the Xodus Group.

The total comprehensive loss for the year was £462,000 (2018: £18,000). The loss was mainly due to lower gross profit achieved on operating activities due to the Company investing in building capability and capacity across the business, a £226,000 loss on sale of the XMOS Africa joint venture and increased borrowing costs. The directors do not recommend payment of a dividend in the current year (2018: nil).

Key performance indicators

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

In order to improve the financial position of the Company, subsequent to the year end, the Company issued 8,500,000 Ordinary shares of £1.00 each in part satisfaction of the outstanding debt of £10.4 million owed to immediate parent company Xodus Group (Holdings) Limited.

Principal risks and uncertainties

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

Investment risk

The financial position and performance of the Company is affected by the value of investments which in turn relates to the trading position and the results of certain subsidiary undertakings, their ability to make dividend payments and repay amounts due to the Company. The Company monitors the financial position and performance of all subsidiaries and records impairments against investments and receivables where appropriate. Where necessary, actions would be taken to assist subsidiaries including recapitalisation or the provision of financial support if this is deemed to be in the best interests of the Company and the Group.

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 Group'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.

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.

Compliance and ethics risk

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

Integrity is one of the Group's core values and the Group also has an Ethics Policy Statement and Code of Conduct, which clearly sets out the behaviours expected of its employees and those who work with it. The Group has a compliance and ethics programme underpinned by its values and designed in accordance with international best practice to embed the Code of Conduct and to prevent bribery and corruption. The programme includes financial controls, supply chain management procedures, and procedures for managing third party risks. Mandatory annual compliance and ethics e-learning for employees raises awareness, highlights the whole range of consequences and encourages compliance.

A committee comprising members of the Group's Executive Management Team sets objectives for the implementation of the compliance and ethics programme and monitors progress. The Group has engaged an independent third party assurance provider to benchmark the compliance and ethics programme against best practice including International Standard ISO 37001.

Information technology and security risk

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

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

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

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

Geographic risk

The Company operates 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.

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and trade receivables. Cash and cash equivalents, are maintained with a number of major financial institutions in regions that the Company operates. The Company performs on-going credit evaluations of counter-parties and does not require collateral from its customers. The credit risk on liquid funds is mitigated because the Company's counterparties are banks with high credit-ratings assigned by international credit rating agencies.

Cash flow and liquidity risk

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

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

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

On behalf of the Board



Sarah Duncan

Director

17 December 2020

XODUS GROUP LIMITED

DIRECTORS' REPORT

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

Directors and Company Secretary

The names of the current directors are listed below. All held office throughout the year, 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.

Qualifying third party indemnity provisions

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

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. The Company is also an intermediate holding company within the Xodus Group.

Results and performance

In the year ended 31 December 2019, the Company achieved turnover of £36,119,000 (2018: £32,859,000) and an operating loss of £318,000 (2018: operating profit of £117,000), including exceptional expenses of £nil (2018: £1,682,000). The loss for the year before taxation amounted to £471,000 (2018: profit of £55,000). The Company's total comprehensive loss for the financial year of £462,000 (2018: £18,000) has been transferred to reserves.

In 2019 the business embarked on a growth strategy which saw an increase in activity compared to the prior year. The Company invested in a number of areas to build capability and capacity to help position the Company for future growth. This included investing in staff with specific skills and capabilities and investing in training and business development activities which in turn led to a decrease in utilisation and profitability at a gross profit level. Tendering activity levels were high and the Company saw average headcount increase by 27% in 2019. The renewables, environmental services and decommissioning businesses expanded significantly in 2019.

Overhead costs continue to be monitored closely however due to the increase in headcount there was an increase in facilities and travel costs. 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 at 31 December 2018.

The Company's interest in the XMOS Africa Limited joint venture was Company to its Joint Venture partner during 2019. As part of the sale the Company agreed to contribute toward the outstanding liabilities of the joint venture. This contribution together with associated costs resulted in a loss on sale of the joint venture of £226,000.

In March 2019, Subsea 7 International Holdings (UK) Limited acquired the remaining 40% interest in the Company's parent company, Xodus Group (Holdings) Limited from Chiyoda Corporation.

Dividends

The Company does not have a formal dividend policy. Dividends are recommended based on a review of financial position and financial performance by the Directors. The Directors do not recommend the payment of a dividend.

Employee involvement

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.

Disabled persons

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

Financial Instruments

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

The Company does not enter into financial instruments in order to manage foreign currency exposures.

Research and development

During 2019 the Company continued to develop software updates as part of the upgrading process for internal software systems. The associated costs expensed in the year were £284,000 (2018: £284,000).

Future developments

As part of the Group, the Company is well positioned to take advantage of future opportunities in a highly competitive and cost efficient market. In recent years the oil and gas market has undergone a transformational downturn. Where possible the Company has responded with innovation and reorganisation in order to drive down costs and find better, more efficient solutions. A focused strategy and differentiated offering has been effective in strengthening market position and changing the industry dynamics. The Company is well positioned to build on key strengths as the offshore oil and gas market experiences a slow and gradual recovery coupled with growth in the renewables sector.

Activity levels in 2020 are expected to be lower than 2019 due to the combined impact of the COVID-19 Pandemic and the sustained drop in oil price. The Directors expect that income will continue to be generated from the same principal activities as in 2019.

Going concern

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

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

While, in the short term, competition for these contracts is high, clients remain committed to clean energy initiatives and the offshore wind market continues to be viewed as a source of sustainable, profitable growth for the Group in the longer term.

Going concern (continued)

The Group has a strong Balance Sheet with significant cash balances. At 30 September 2020, the Group had cash and cash equivalents of \$541.5 million and total borrowings of \$215.2 million. The Group has \$656.0 million available and undrawn against its multi-currency revolving credit and guarantee facility, which has an expiry date of 4 September 2023. In addition, during April 2020 the Group finalised a new Euro Commercial Paper programme equivalent to \$740.0 million to further diversify sources of liquidity. Furthermore, management believes the Group has continued access to the debt capital markets and other funding sources as a result of the strength of its Balance Sheet. Should additional funding be required, management consider that it will be possible to secure new funding through the issuance of new debt instruments or the arrangement of additional bank facilities.

The Company had net liabilities of £4.7 million at 31 December 2019 (2018: £4.3 million). The net liabilities position is comprised primarily of Amounts due to group undertakings of £21.4 million (2018: 11.6 million) partially offset by property, plant and equipment of £1.8 million (2018: \$0.3 million) and trade and other receivables of £16.0 million (2018: \$14.0 million). A large proportion of the Company's receivable balances are held with fellow group undertakings. An impairment review has been performed on these balances and no impairment has been recognised. Due to the significant financial resources of the Group, the Directors consider the balances to be recoverable.

In January 2020 the Company issued 8,500,000 Ordinary shares of £1.00 each in part satisfaction of the outstanding debt of £10.4 million owed to immediate parent company Xodus Group (Holdings) Limited. Post share issue the Company had net assets of £3.6 million.

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

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

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

Events since the Balance Sheet date

In January 2020 the Company issued 8,500,000 Ordinary shares of £1.00 each in part satisfaction of the outstanding debt of £10.4 million owed to immediate parent company Xodus Group (Holdings) Limited.

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

DIRECTORS' REPORT (CONTINUED)

Events since the Balance Sheet date (continued)

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

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

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.

XODUS GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

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:

A handwritten signature in black ink, appearing to read 'Sarah Duncan', with a long horizontal flourish extending to the right.

Sarah Duncan

Director

17 December 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 2019 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 2019 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.

Emphasis of matter – Effects of Covid-19

We draw attention to Note 24 of the Financial Statements, which describes the economic and social disruption the Company is facing as a result of Covid-19 which is impacting the wider UK and global economies, as well as the Company's ability to operate normally. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

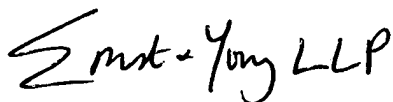
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Kenneth MacLeod Hall (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Aberdeen

17 December 2020

XODUS GROUP LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 £'000	2018 £'000
Turnover	3	36,119	32,859
Cost of sales		(27,788)	(24,226)
Gross profit		8,331	8,633
Administrative expenses – recurring		(8,399)	(6,974)
Administrative expenses – exceptional	5	-	(1,682)
Loss on sale of joint venture	12	(226)	-
Impairment of investments	12	(24)	(139)
Other operating income		-	279
(Loss)/Profit from operating activities	4	(318)	117
Interest payable and similar charges	8	(276)	(62)
(Loss)/profit before tax		(594)	55
Taxation	9	123	(68)
Loss for the financial year		(471)	(13)
Other comprehensive loss:			
Exchange differences on retranslation of foreign operations		9	(5)
Total comprehensive loss for the year		(462)	(18)

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 2019**

	Notes	2019 £'000	2018 £'000
Fixed Assets			
Non-current assets			
Intangible assets	10	719	862
Property, plant and equipment	11	1,733	327
Investments	12	812	837
		3,264	2,026
Current assets			
Trade and other receivables	13	16,303	13,973
Cash and cash equivalents		1,845	479
Total current assets		18,148	14,452
Current liabilities	14	(26,196)	(19,003)
Net current liabilities		(8,048)	(4,551)
Non-current liabilities	15	-	(52)
Provisions for liabilities	18	-	(1,745)
Net liabilities		(4,784)	(4,322)
Equity			
Capital and reserves			
Called up share capital	19	235	235
Share premium	19	115	115
Other reserves	19	30,963	30,954
Profit and loss reserves	19	(36,097)	(35,626)
Total equity		(4,784)	(4,322)

The financial statements were approved by the Board of Directors and authorised for issue on 17 December 2020 and were signed on its behalf by:



Sarah Duncan
Director

Company Registration No. SC286421

XODUS GROUP LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called-up share capital £'000	Share premium account £'000	Profit and loss reserves £'000	Other reserves £'000	Total £'000
Balance at 1 January 2018	235	115	(35,613)	30,959	(4,304)
Loss for the financial year	-	-	(13)	-	(13)
Currency translation gain on foreign currency operation	-	-	-	(5)	(5)
Total comprehensive loss	-	-	(13)	(5)	(18)
As at 31 December 2018	235	115	(35,626)	30,954	(4,322)
Loss for the financial year	-	-	(471)	-	(471)
Exchange differences on retranslation of foreign operations	-	-	-	9	9
Total comprehensive loss	-	-	(471)	9	462
Balance at 31 December 2019	235	115	(36,097)	30,963	(4,784)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 Subsea 7 S.A., 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 Subsea 7 S.A.
- 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

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

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

While, in the short term, competition for these contracts is high, clients remain committed to clean energy initiatives and the offshore wind market continues to be viewed as a source of sustainable, profitable growth for the Group in the longer term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. Accounting policies (continued)**Going concern (continued)**

The Group has a strong Balance Sheet with significant cash balances. At 30 September 2020, the Group had cash and cash equivalents of \$541.5 million and total borrowings of \$215.2 million. The Group has \$656.0 million available and undrawn against its multi-currency revolving credit and guarantee facility, which has an expiry date of 4 September 2023. In addition, during April 2020 the Group finalised a new Euro Commercial Paper programme equivalent to \$740.0 million to further diversify sources of liquidity. Furthermore, management believes the Group has continued access to the debt capital markets and other funding sources as a result of the strength of its Balance Sheet. Should additional funding be required, management consider that it will be possible to secure new funding through the issuance of new debt instruments or the arrangement of additional bank facilities.

The Company had net liabilities of £4.7 million at 31 December 2019 (2018: £4.3 million). The net liabilities position is comprised primarily of Amounts due to group undertakings of £21.4 million (2018: 11.6 million) partially offset by property, plant and equipment of £1.8 million (2018: \$0.3 million) and trade and other receivables of £16.0 million (2018: \$14.0 million). A large proportion of the Company's receivable balances are held with fellow group undertakings. An impairment review has been performed on these balances and no impairment has been recognised. Due to the significant financial resources of the Group, the Directors consider the balances to be recoverable.

In January 2020 the Company issued 8,500,000 Ordinary shares of £1.00 each in part satisfaction of the outstanding debt of £10.4 million owed to immediate parent company Xodus Group (Holdings) Limited. Post share issue the Company had net assets of £3.6 million.

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

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

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

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:

Fixtures and fittings	3-10 years
Tenants improvements	10 years, or period of lease if shorter
Computer equipment	2-3 years

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

1. Accounting policies (continued)

Fixed asset investments

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

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.

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 2019 (CONTINUED)**

1. Accounting policies (continued)

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.

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 2019 (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 2019 (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 £182,000 (2018: £318,000). No impairment loss has been identified in either the current or prior year.

The carrying amount of investments at the balance sheet date is £812,000 (2018: £837,000), net of estimated impairment of £2,527,000 (2018: £2,503,000). An impairment charge was recorded in the current year of £24,000 (2018: £139,000). 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. An investment in subsidiaries was also impaired to £nil due to its net liabilities position.

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 2019 was stated net of a provision of £402,000 (2018: £332,000).

3. Turnover

Revenue represents 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:

	2019 £'000	2018 £'000
Europe	27,219	25,895
Middle East and Asia	5,485	3,589
North America	2,099	1,311
Africa	943	1,221
Australia	373	843
	36,119	32,859

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

4. (Loss)/Profit from operating activities

(Loss)/Profit from operating activities is stated after charging the following:

		2019 £'000	2018 £'000
<i>Amortisation of intangible assets:</i>			
Goodwill	10	136	135
Licences and developed software	10	250	497
<i>Depreciation of tangible fixed assets:</i>			
Owned	11	258	302
<i>Operating lease rentals:</i>			
Land and buildings		1,008	1,459
Foreign exchange loss		226	174
Research and development expense		284	284

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

	2019 £'000	2018 £'000
Audit of the Company's annual accounts	39	38
Total audit fees	39	38
Tax compliance services and total non-audit	-	-
Total	39	38

5. Administrative expenses – exceptional

During the year there were exceptional costs of £nil (2018: £1,682,000). These costs are identified as exceptional by virtue of their size and their nature. Exceptional costs in 2018 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 directors' remuneration, were as follows:

	2019 £'000	2018 £'000
Wages and salaries	16,167	12,781
Social security costs	1,821	1,407
Other pension costs (Note 20)	1,662	1,278
	19,649	15,466

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

	2019 No.	2018 No.
Directors	1	1
Administration	31	40
Technical	238	172
	270	213

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

7. Directors' remuneration

	2019 £'000	2018 £'000
Emoluments	247	219
Company pension contributions to defined contribution pension schemes	-	-
	247	219

During the year no directors accrued retirement benefits in respect of defined contribution pension schemes (2018: none). The highest paid director received remuneration of £247,000 (2018: £219,000).

8. Interest payable

	2019 £'000	2018 £'000
Finance lease interest	9	8
Invoice discount interest	10	54
Interest on intercompany borrowings	257	-
	276	62

9. Taxation

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

	2019 £'000	2018 £'000
<i>Current tax:</i>		
UK corporation tax	(222)	-
Foreign tax	99	102
Current tax (credit)/charge	(123)	102
Amounts overprovided in previous years	-	(34)
Total current tax (credit)/charge	(123)	68
<i>Deferred tax:</i>		
Total deferred tax	-	-
Taxation (credit)/charge reported in the Statement of Comprehensive Income	(123)	68

The standard rate of current tax for the year, based on the UK standard rate of corporation tax was 19%, (2018: 19%). 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:

	2019 £'000	2018 £'000
(Loss)/profit on ordinary activities before taxation	(594)	55
Expected tax charge/(credit) based on a corporation tax rate of 19.00%	(113)	11
<i>Effects of:</i>		
Non-deductible expenses for tax purposes	64	29
Fixed asset and other timing differences	34	40
Effect of foreign taxes	81	84
Deferred tax not recognised	(59)	176
Tax overprovided in previous years	-	(34)
Change in tax laws and rates	-	(198)
Transfer pricing adjustments	(107)	(50)
R&D expenditure credits	(23)	(6)
Group relief surrendered/(claimed)	-	16
Total tax (credit)/charge for the year	(123)	68

XODUS GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

10. Intangible assets

	Goodwill £'000	Licences £'000	Developed software £'000	Total £'000
Cost				
At 1 January 2019	1,270	1,467	280	3,017
Additions	-	38	205	243
Disposals	-	-	-	-
At 31 December 2019	1,270	1,505	485	3,260
Amortisation				
At 1 January 2019	952	1,132	71	2,155
Charge for year	136	188	62	386
Disposals	-	-	-	-
At 31 December 2019	1,088	1,320	133	2,541
Net book value				
At 31 December 2019	182	185	352	719
At 31 December 2018	318	335	209	862

11. Property, plant and equipment

	Fixtures and fittings £'000	Tenants improvements £'000	Computer equipment £'000	Total £'000
Cost				
At 1 January 2019	440	1,051	232	1,723
Additions	107	167	1,390	1,664
Disposals	-	(5)	(5)	(10)
At 31 December 2019	547	1,213	1,617	3,377
Depreciation				
At 1 January 2019	433	914	49	1,396
Charge for year	8	30	220	258
Disposals	-	(5)	(5)	(10)
At 31 December 2019	441	939	264	1,644
Net book value				
At 31 December 2019	106	274	1,353	1,733
At 31 December 2018	7	137	183	327

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

12. Investments

	Investments in subsidiaries £'000	Investments in joint ventures £'000	Total £'000
Cost			
At 1 January 2019	539	2,801	3,340
Disposals	-	(1)	(1)
At 31 December 2019	539	2,800	3,339
Provision for impairment			
At 1 January 2019	12	2,491	2,503
Charge for year	9	15	24
At 31 December 2019	21	2,506	2,527
Net book value			
At 31 December 2019	518	294	812
At 31 December 2018	527	310	837

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%
Xodus Green Light PTY LTD*	Level 5, 1 William Street, Perth WA 6000	Environmental Consulting	100%

* Xodus Green Light PTY LTD is held indirectly through the Company's shareholding in Xodus Group PTY LTD

The impairment charge recognised in the year in respect of subsidiary undertakings of £9,000 (2018: £12,000) related to the Company's investment in Xodus DMCC which had net liabilities at 31 December 2019 after the write off of an investment balance. Post impairment charge the Company's investment in Xodus DMCC is carried at £nil (2018: £9,000).

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

12. Investments (continued) Joint ventures

Name of company	Registered office	Nature of business	Proportion of Ordinary shares held
Xodus Subsea Limited	Cheapside House, 138 Cheapside, London, EC2V 6BJ	Non-trading	40%

The impairment charge recognised during the year in respect of joint ventures of £15,000 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. This contribution together with associated costs resulted in a loss on sale of the joint venture of £226,000.

13. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	5,504	4,487
Amounts owed by group undertakings	3,806	4,128
Amounts owed by related parties (Note 22)	-	250
Prepayments and accrued income	6,169	4,276
Other receivables	247	265
Research and Development Credit	578	567
	16,303	13,973

14. Current liabilities

	2019 £'000	2018 £'000
Finance lease obligations (Note 16)	50	109
Invoice discounting advances (Note 16)	-	2,035
Trade payables	491	810
Amounts owed to group undertakings	21,350	11,570
Amounts owed to joint ventures (Note 22)	632	1,418
Social security and other taxes	1,206	915
Accruals and deferred income	2,302	2,015
Other creditors	165	131
	26,196	19,003

15. Non-current liabilities

	2019 £'000	2018 £'000
Finance lease obligations (Note 16)	-	52
	-	52

XODUS GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)****16. Borrowings**

	2019	2018
	£'000	£'000
Invoice discounting advances	-	2,035
Finance leases obligations	50	161
Total borrowings	50	2,196

Total borrowings above were repayable as follows:

	2019	2018
	£'000	£'000
Within one year	50	2,144
Between one and two years	-	52
	50	2,196

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.

17. Deferred tax asset

A potential deferred tax asset amounting to £1,838,000 (2018: £1,872,000) was not recognised as its recoverability is dependent on future profitability and considered uncertain.

18. Provision for liabilities

	Onerous lease £'000
At 1 January 2019	1,745
Utilised in the year	(1,745)
At 31 December 2019	-

The onerous lease provision related to an unoccupied property. In 2017, 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.

19. Called up share capital and reserves

	2019	2018
	£'000	£'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.

XODUS GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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 £1,662,000 (2018: £1,278,000). At 31 December 2019 contributions of £166,000 (2018: £131,000) were outstanding.

21. Operating lease commitments

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

	2019 £'000	2018 £'000
Land and Buildings		
<i>Expiry date</i>		
Within 1 year	74	43
Between 2 and 5 years	3,710	3,902
After more than 5 years	-	3,160
	3,785	7,105

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 members of the Subsea 7 S.A. Group.

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	2019 Sales £'000	2019 Purchases £'000	2018 Sales £'000	2018 Purchases £'000
		£'000	£'000	£'000	£'000
Chiyoda Corporation and subsidiaries	Previous shareholder of parent company	5	18	589	45
Xodus Subsea Limited and subsidiaries	Joint venture	-	-	1	-
		5	18	1,127	133

Chiyoda Corporation was only considered a related party until it sold its share in immediate parent company Xodus Group (Holdings) Limited in March 2019.

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

Related party	Relationship	2019 Due from £'000	2019 Due to £'000	2018 Due from £'000	2018 Due to £'000
		£'000	£'000	£'000	£'000
Chiyoda Corporation and subsidiaries	Previous shareholder of parent company	-	-	250	-
Xodus Subsea Limited and subsidiaries	Joint Venture	-	632	-	1,418
		-	632	250	1,418

23. Ultimate parent company

The Company's immediate parent company is Xodus Group (Holdings) Limited. The Company's ultimate parent company 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.

Subsea 7 S.A became the ultimate parent company in March 2019 when Subsea 7 International Holdings (UK) Limited ('Subsea 7') acquired 40% the share capital of Company's immediate parent company, Xodus Group (Holdings) Limited. Subsea 7 previously held a 60% interest in Xodus Group (Holdings) Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Subsea 7 S.A. The group accounts may be obtained from its registered office.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (CONTINUED)**

24. Post balance sheet events

In January 2020 the Company issued 8,500,000 Ordinary shares of £1.00 each in part satisfaction of the outstanding debt of £10.4 million owed to immediate parent company Xodus Group (Holdings) Limited.

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

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

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