SUBSEA 7 S.A. CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2021

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

To the shareholders of Subsea 7 S.A.
412F, route d'Esch
L-2086 Luxembourg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the Consolidated Financial Statements of Subsea 7 S.A. and its subsidiaries (the "Group") included on page 68 to page 138, which comprise the Consolidated Balance Sheet at 31 December 2021, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended, and the notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group at 31 December 2021, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation Nº 537/2014, the Law of 23 July 2016 and ISAs are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the Consolidated Financial Statements" section of our report. We are also independent of the Group in accordance with the Code of Ethics for Professional Accountants, including the International Independence Standards, issued by the International Ethics Standards Board for Accountants' ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of the audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter:	**Recognition of revenues and income on long-term contracts**
Description of key audit matter:	A significant proportion of the Group's revenues and income are derived from long-term contracts. As detailed in Note 3 'Significant accounting policies' to the Consolidated Financial Statements, these contracts include complex technical and commercial risks and often specify performance milestones to be achieved throughout the contract period, which can last several years. Due to the contracting nature of the business, revenue recognition involves a significant degree of judgement, with estimates being made to: • assess the total contract costs; • assess the stage of completion of the contract; • assess the proportion of revenues, including variation orders, to recognise in line with contract completion; • forecast the profit margin on each contract incorporating appropriate allowances for technical and commercial risks related to performance milestones yet to be achieved; and • appropriately identify, estimate and provide for onerous contracts. There is a range of acceptable outcomes resulting from these judgements that could lead to different revenue or income being reported in the Consolidated Financial Statements. The Group has detailed procedures and processes in place to manage the commercial, technical and financial aspects of long-term contracts. The processes include the preparation of a Project Monthly Status Report (PMSR), which includes key accounting and forecast information for the relevant contract. The risk of material misstatement is that the accounting for the Group's significant contracts does not accurately reflect the progress made and consequently the contract revenue and margin at the reporting date.
Our response:	Our audit procedures over the recognition of revenues and income on long-term contracts included, among others, the following: We evaluated and tested the relevant information technology systems and performed procedures over the operating effectiveness of internal controls over the accuracy and timing of long-term contract revenue and margin recognised in the Consolidated Financial Statements, including controls over: • the detailed contract reviews (being the PMSR process and controls) performed by management and reviewed at the project and the Group level that included estimating total costs, stage of completion of contracts, profit margin and evaluating contract profitability; and • the transactional controls that underpin the production of underlying contract related cost balances including the purchase-to-pay, vessel costs and payroll cycles. For the most significant and judgemental contracts, we: • obtained the PMSR and gained an understanding of the performance and status of the contracts; • corroborated management's positions through the examination of externally generated evidence, such as customer correspondence; • discussed and understood management's estimates for total contract costs and forecast costs-to-complete, including taking into account the historical accuracy of such estimates; • discussed and understood management's estimates in recognising actual or potential variation orders, including taking into account the historical accuracy of such estimates; • tested the reconciliation of cost models to the PMSR and to the accounting records; • re-performed the percentage of completion calculation; and • considered whether provisions for onerous contracts reflect the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. We read the relevant clauses within selected contracts and discussed each with management to obtain a full understanding of the specific terms and risks, which informed our consideration of whether revenue for these contracts was appropriately recognised. We made enquiries to both Group internal and external legal counsel and considered the positions taken by management. We assessed the adequacy of the disclosures in Note 3 'Significant accounting policies' and Note 5 'Segment information' to the Consolidated Financial Statements in relation to revenue.

<table>
<tr><th>Key audit matter:</th><th>Reverse acquisition of OHT ASA and combination with the Subsea 7 Renewables business unit</th></tr>
<tr><td>Description of key audit matter:</td><td> As detailed in Note 12 'Business combinations' to the Consolidated Financial Statements, the Group completed a significant business combination in the year. On 8 July 2021 the Group announced an agreement to combine its Renewables business unit with OHT ASA. The combination was accounted for as a reverse acquisition and the combined company has been renamed Seaway 7 ASA. It is listed on Oslo's Euronext Growth market and commenced trading on 1 October 2021. The significant risk arises because of the level of management judgement required in assessing the fair value of net assets acquired and the impact of any adjustments to consideration in determining the level of goodwill arising on the acquisition. There is a particular focus on the identification and measurement of intangible assets on acquisition. The risk of material misstatement is that the fair value of net assets acquired and the resultant goodwill could be misstated. </td></tr>
<tr><td>Our response:</td><td> Our audit procedures over the reverse acquisition of OHT ASA included, among others, the following: We have obtained an understanding of the key controls and processes in place with regards to IFRS 3 'Business Combinations' accounting. We read the sale and purchase agreement alongside management's accounting papers and considered whether the appropriate accounting treatment has been applied, including the considerations with regard to the identification of the accounting acquirer and the treatment of the transaction as a reverse acquisition. We assessed management's conclusion on whether the transaction meets the definition of a business combination and in this context, inspected the assets and liabilities acquired, the allocation of the purchase consideration to these, and the resultant goodwill recognised by performing the following procedures: We examined the consideration transferred to assess whether it was determined and calculated in accordance with contractual arrangements;
We assessed management's judgements in respect of what arrangements should be accounted for as part of the business combination and those that should be accounted for separately from the business combination;
We considered the identification of the acquired assets and liabilities based on our understanding of the business of the acquired companies and the explanations and plans of management that supported these acquisitions;
We assessed the recognition of intangible assets and made an evaluation of management's key assumptions in identifying intangible assets through enquiry and inspection of supporting evidence;
We tested the fair values of the acquired assets and liabilities based on common valuation models; and
We considered the consolidation adjustments in respect of accounting for these transactions. We performed procedures to assess the adequacy of disclosures in Note 12 'Business combinations' to the Consolidated Financial Statements. </td></tr>
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<tr><th>Key audit matter:</th><th>Vessel fleet impairment assessments</th></tr>
<tr><td>Description of key audit matter:</td><td>
The Subsea 7 vessel fleet comprises owned and leased vessels.
At 31 December 2021, the carrying amount of the owned vessel fleet was $3.7 billion and the carrying amount of right-of-use assets related to leased vessels was $126.4 million as detailed in Note 15 ‘Property, plant and equipment’ and Note 16 ‘Right-of-use assets’ to the Consolidated Financial Statements.
Vessels within property, plant and equipment and right-of-use assets related to leased vessels are subject to an impairment test where indicators of impairment exist. Impairment charges are recognised when necessary to bring the carrying amounts of specific assets to their recoverable amount defined as the higher of value-in-use or fair value less costs to dispose.
The process for determining whether impairment indicators exist is complex and requires significant management judgement.
The key factors are:

the forecast utilisation of the owned vessel fleet and the right-of-use assets related to leased vessels;
the determination of the value-in-use of the cash generating units in which the vessels are allocated; and
the external broker estimates of market valuation (for owned vessels only).

The subsequent process for determining the amount of impairment which may result from the above indicators is also complex and requires significant management judgement and estimates.
The risk of material misstatement is that the carrying amount of the owned vessel fleet within property, plant and equipment and the leased vessels within right-of-use assets could be overstated.
</td></tr>
<tr><td>Our response:</td><td>
Our audit procedures over the vessel fleet impairment assessments included, among others, the following:
We evaluated management’s assessment for indicators of impairment or for indicators of reversal of impairments related to owned vessels within property, plant and equipment and right-of-use assets related to leased vessels.
We obtained an understanding of the internal financial controls for the owned vessel and right-of-use asset impairment process including the determination of assumptions used within the models to assess the recoverable amount.
We obtained management’s impairment assessment for the owned vessels and right-of-use assets related to vessel leases.
For owned vessels and right-of-use assets relating to leased vessels where an impairment trigger was identified, we analysed the recoverable amount considering the value-in-use of the cash generating units in which the owned vessels and right-of-use assets relating to leased vessels are allocated.
For owned vessels we reviewed the external broker valuations obtained by management for each vessel and assessed the independence, objectivity and competence of the broker as well as the adequacy of the respective assumptions and methods used, the reasonableness of the conclusions reached and their consistency with management’s analysis.
We assessed the completeness and the accuracy of the impairments identified by management to the accounting records.
We evaluated the adequacy of the Group’s disclosures in Note 15 ‘Property, plant and equipment’ and Note 16 ‘Right-of-use assets’ regarding the impairments of owned vessels and right-of-use assets related to leased vessels in the Consolidated Financial Statements.
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Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Consolidated Management Report from pages 53 to 58 and the accompanying Corporate Governance Statement from pages 37 to 51 but does not include the Consolidated Financial Statements and our report of "réviseur d'entreprises agréé" thereon.

Our opinion on the Consolidated Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and of those charged with governance for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with IFRS as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is also responsible for presenting and marking up the Consolidated Financial Statements in compliance with the requirements set out in the Delegated Regulation 2019/815 on European Single Electronic Format, as amended ("ESEF Regulation").

In preparing the Consolidated Financial Statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the "réviseur d'entreprises agréé" for the audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF 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 Consolidated Financial Statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Assess whether the Consolidated Financial Statements have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as “réviseur d’entreprises agréé” by the General Meeting of the Shareholders on 14 April 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is seven years.

The Consolidated Management Report from pages 53 to 58 is consistent with the Consolidated Financial Statements and has been prepared in accordance with applicable legal requirements.

The accompanying Corporate Governance Statement on pages 37 to 51 is the responsibility of the Board of Directors. The information required by article 68ter paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent with the Consolidated Financial Statements and has been prepared in accordance with applicable legal requirements.

We have checked the compliance of the Consolidated Financial Statements of the Group as at 31 December 2021 with relevant statutory requirements set out in the ESEF Regulation that are applicable to the financial statements. For the Group, it relates to:

- Financial statements prepared in valid xHTML format;
- The XBRL markup of the Consolidated Financial Statements using the core taxonomy and the common rules on markups specified in the ESEF Regulation.

In our opinion, the Consolidated Financial Statements of the Group as at 31 December 2021, identified as 222100AIF0CBCY80AH62-2021-12-31, have been prepared, in all material respects, in compliance with the requirements laid down in the ESEF Regulation.

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Olivier Lemaire
Luxembourg, 2 March 2022

CONSOLIDATED INCOME STATEMENT

For the year ended (in $ millions, except per share data)	Notes	**2021 31 Dec**	2020 31 Dec
Revenue	5	**5,010.0**	3,466.4
Operating expenses	6	**(4,714.2)**	(3,652.9)
Gross profit/(loss)		**295.8**	(186.5)
Administrative expenses	6	**(228.0)**	(241.4)
Impairment of goodwill	13	**–**	(605.4)
Share of net income/(loss) of associates and joint ventures	17	**3.9**	(0.5)
Net operating income/(loss)		**71.7**	(1,033.8)
Finance income	8	**4.7**	4.8
Other gains and losses	7	**44.4**	(18.3)
Finance costs	8	**(20.1)**	(24.6)
Income/(loss) before taxes		**100.7**	(1,071.9)
Taxation	9	**(64.3)**	(33.3)
Net income/(loss)		**36.4**	(1,105.2)
Net income/(loss) attributable to:			
Shareholders of the parent company		**31.8**	(1,092.8)
Non-controlling interests	26	**4.6**	(12.4)
		36.4	(1,105.2)

Earnings per share	Notes	**$ per share**	$ per share
Basic	11	**0.11**	(3.67)
Diluted[(a)]	11	**0.11**	(3.67)

(a) For explanation and a reconciliation of earnings per share and diluted earnings per share please refer to Note 11 'Earnings per share' to the Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended (in $ millions)	Notes	**2021 31 Dec**	2020 31 Dec
Net income/(loss)		**36.4**	(1,105.2)
Items that may be reclassified to the income statement in subsequent periods:			
Net foreign currency translation (losses)/gains		**(4.9)**	9.8
Commodity cash flow hedges		**12.8**	–
Tax relating to components of other comprehensive income	9	**(2.8)**	(0.6)
Items that will not be reclassified to the income statement in subsequent periods:			
Remeasurement gains on defined benefit pension schemes	36	**0.5**	0.3
Tax relating to remeasurement gains on defined benefit pension schemes	9	**(0.1)**	–
Fair value adjustment on other financial assets	33	**1.2**	(5.5)
Other comprehensive income		**6.7**	4.0
Total comprehensive income/(loss)		**43.1**	(1,101.2)
Total comprehensive income/(loss) attributable to:			
Shareholders of the parent company		**40.4**	(1,090.0)
Non-controlling interests		**2.7**	(11.2)
		43.1	(1,101.2)

CONSOLIDATED BALANCE SHEET

At (in $ millions)	Notes	2021 31 Dec	2020 31 Dec
Assets			
Non-current assets			
Goodwill	13	**160.5**	84.5
Intangible assets	14	**37.3**	46.0
Property, plant and equipment	15	**4,081.0**	3,982.6
Right-of-use assets	16	**206.4**	213.3
Interest in associates and joint ventures	17	**28.6**	29.5
Advances and receivables	18	**57.4**	23.0
Derivative financial instruments	33	**24.7**	22.9
Other financial assets	33	**1.3**	2.9
Construction contracts – assets	22	**4.4**	6.7
Retirement benefit assets	36	**–**	0.8
Deferred tax assets	9	**58.7**	49.5
		4,660.3	4,461.7
Current assets			
Inventories	19	**40.3**	26.4
Trade and other receivables	20	**655.9**	590.7
Derivative financial instruments	33	**35.8**	31.4
Construction contracts – assets	22	**788.2**	470.6
Other accrued income and prepaid expenses	21	**204.5**	197.6
Restricted cash		**5.7**	7.1
Cash and cash equivalents	23	**597.6**	511.6
		2,328.0	1,835.4
Total assets		**6,988.3**	6,297.1
Equity			
Issued share capital	24	**600.0**	600.0
Treasury shares	25	**(32.9)**	(17.8)
Paid in surplus		**2,503.9**	2,505.2
Translation reserve		**(582.5)**	(582.0)
Other reserves		**(14.2)**	(25.0)
Retained earnings		**1,709.5**	1,747.4
Equity attributable to shareholders of the parent company		**4,183.8**	4,227.8
Non-controlling interests	26	**305.4**	27.3
Total equity		**4,489.2**	4,255.1
Liabilities			
Non-current liabilities			
Borrowings	27	**360.3**	184.4
Lease liabilities	28	**142.9**	168.6
Retirement benefit obligations	36	**12.3**	14.3
Deferred tax liabilities	9	**46.0**	32.2
Provisions	31	**58.8**	49.5
Contingent liabilities recognised	32	**5.5**	6.0
Derivative financial instruments	33	**5.7**	21.1
Other non-current liabilities	29	**6.1**	14.7
		637.6	490.8
Current liabilities			
Trade and other liabilities	30	**1,352.5**	981.8
Derivative financial instruments	33	**23.7**	26.4
Current tax liabilities		**41.5**	32.6
Borrowings	27	**61.6**	24.6
Lease liabilities	28	**88.0**	85.4
Provisions	31	**87.6**	118.5
Construction contracts – liabilities	22	**205.7**	279.5
Deferred revenue	37	**0.9**	2.4
		1,861.5	1,551.2
Total liabilities		**2,499.1**	2,042.0
Total equity and liabilities		**6,988.3**	6,297.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	**600.0**	**(17.8)**	**2,505.2**	**(582.0)**	**(25.0)**	**1,747.4**	**4,227.8**	**27.3**	**4,255.1**
Comprehensive income									
Net income	–	–	–	–	–	31.8	31.8	4.6	36.4
Net foreign currency translation gains	–	–	–	(3.0)	–	–	(3.0)	(1.9)	(4.9)
Commodity cash flow hedges	–	–	–	–	12.8	–	12.8	–	12.8
Remeasurement losses on defined benefit pension schemes	–	–	–	–	0.5	–	0.5	–	0.5
Fair value adjustment on other financial assets	–	–	–	–	1.2	–	1.2	–	1.2
Tax relating to components of other comprehensive income	–	–	–	(0.4)	(2.5)	–	(2.9)	–	(2.9)
Total comprehensive income	**–**	**–**	**–**	**(3.4)**	**12.0**	**31.8**	**40.4**	**2.7**	**43.1**
Transactions with owners									
Shares repurchased	–	(21.0)	–	–	–	–	(21.0)	–	(21.0)
Dividends declared	–	–	–	–	–	(69.5)	(69.5)	–	(69.5)
Share-based payments	–	–	3.9	–	–	–	3.9	–	3.9
Vesting of share-based payments	–	–	(5.2)	–	–	5.2	–	–	–
Shares reallocated relating to share-based payments	–	5.9	–	–	–	(5.9)	–	–	–
Reclassification adjustment relating to business combination	–	–	–	2.9	–	–	2.9	(2.9)	–
Transfer on disposal of other financial assets	–	–	–	–	(1.2)	1.2	–	–	–
Addition of non-controlling interests	–	–	–	–	–	(0.7)	(0.7)	278.3	277.6
Total transactions with owners	**–**	**(15.1)**	**(1.3)**	**2.9**	**(1.2)**	**(69.7)**	**(84.4)**	**275.4**	**191.0**
Balance at 31 December 2021	**600.0**	**(32.9)**	**2,503.9**	**(582.5)**	**(14.2)**	**1,709.5**	**4,183.8**	**305.4**	**4,489.2**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2020	**600.0**	**(14.0)**	**2,507.5**	**(590.0)**	**(20.2)**	**2,845.4**	**5,328.7**	**34.3**	**5,363.0**
Comprehensive loss									
Net loss	–	–	–	–	–	(1,092.8)	(1,092.8)	(12.4)	(1,105.2)
Net foreign currency translation gains	–	–	–	8.6	–	–	8.6	1.2	9.8
Remeasurement losses on defined benefit pension schemes	–	–	–	–	0.3	–	0.3	–	0.3
Fair value adjustment on other financial assets	–	–	–	–	(5.5)	–	(5.5)	–	(5.5)
Tax relating to components of other comprehensive income	–	–	–	(0.6)	–	–	(0.6)	–	(0.6)
Total comprehensive income/(loss)	**–**	**–**	**–**	**8.0**	**(5.2)**	**(1,092.8)**	**(1,090.0)**	**(11.2)**	**(1,101.2)**
Transactions with owners									
Shares repurchased	–	(9.8)	–	–	–	–	(9.8)	–	(9.8)
Dividends declared	–	–	–	–	–	–	–	(1.1)	(1.1)
Share-based payments	–	–	4.2	–	–	–	4.2	–	4.2
Vesting of share-based payments	–	–	(6.5)	–	–	6.5	–	–	–
Shares reallocated relating to share-based payments	–	6.0	–	–	–	(6.0)	–	–	–
Reclassification of deferred tax on defined benefit pension schemes	–	–	–	–	0.4	(0.4)	–	–	–
Reclassification adjustment relating to non-controlling interests	–	–	–	–	–	(5.3)	(5.3)	5.3	–
Total transactions with owners	**–**	**(3.8)**	**(2.3)**	**–**	**0.4**	**(5.2)**	**(10.9)**	**4.2**	**(6.7)**
Balance at 31 December 2020	**600.0**	**(17.8)**	**2,505.2**	**(582.0)**	**(25.0)**	**1,747.4**	**4,227.8**	**27.3**	**4,255.1**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended (in $ millions)	Notes	**2021 31 Dec**	2020 31 Dec
Net cash generated from operating activities	38	**293.0**	446.8
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**6.6**	1.7
Purchases of property, plant and equipment		**(157.7)**	(157.3)
Purchases of intangible assets		**(8.8)**	(25.3)
Net proceeds from recognition of assets related to business combinations – post measurement period		**–**	16.6
Loan to joint venture		**(33.0)**	–
Repayment of loan to joint venture		**1.8**	–
Repayment of advances from joint ventures		**(3.0)**	–
Investments in associates and joint ventures	17	**–**	(0.6)
Interest received	8	**4.7**	4.8
Acquisition of businesses (net of cash acquired)		**4.5**	–
Payment of contingent consideration in respect of acquisitions	33	**–**	(1.3)
Proceeds from sale of other financial assets		**2.8**	–
Investment in other financial assets		**(1.6)**	(3.2)
Net cash used in investing activities		**(183.7)**	(164.6)
Cash flows from financing activities			
Interest paid		**(12.1)**	(9.4)
Repayments of borrowings		**(24.6)**	(24.6)
Proceeds from borrowings		**200.0**	–
Cost of share repurchases	25	**(21.0)**	(9.8)
Payments related to lease liabilities	28	**(93.1)**	(103.6)
Dividends paid to shareholders of the parent company	10	**(72.0)**	–
Dividends paid to non-controlling interests		**–**	(10.2)
Net cash used in financing activities	33	**(22.8)**	(157.6)
Net increase in cash and cash equivalents		**86.5**	124.6
Cash and cash equivalents at beginning of year	23	**511.6**	397.7
Decrease/(increase) in restricted cash		**1.4**	(2.8)
Effect of foreign exchange rate movements on cash and cash equivalents		**(1.9)**	(7.9)
Cash and cash equivalents at end of year	23	**597.6**	511.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Subsea 7 S.A. is a company registered in Luxembourg whose common shares trade on the Oslo Børs and as American Depositary Receipts (ADRs) over-the-counter in the US. The address of the registered office is 412F, route d'Esch, L-2086 Luxembourg.

Subsea 7 is a global leader in the delivery of offshore projects and services for the evolving energy industry. The 'Group' consists of Subsea 7 S.A. and its subsidiaries at 31 December 2021.

The Group provides products and services required for subsea field development, including project management, design and engineering, procurement, fabrication, survey, installation, and commissioning of production facilities on the seabed and the tie-back of these facilities to fixed or floating platforms or to the shore. The Group offers a full spectrum of products and capabilities including remotely operated vehicles and tooling services to support exploration and production activities and to deliver full life of field services to its clients. Through its Renewables business unit, the Group offers expertise in the fixed offshore wind market, including the procurement and installation of offshore wind turbine foundations and inner-array cables as well as heavy lifting operations for renewables structures and heavy transportation services. The Group's interest in Nautilus Floating Solutions enhances its presence in the floating foundations market, supporting research and development initiatives and technology prototypes. The Group provides engineering and advisory services to clients in the oil and gas, renewables and utilities industries through its wholly-owned autonomous subsidiaries Xodus and 4Subsea.

Authorisation of Consolidated Financial Statements

Under Luxembourg law, the Consolidated Financial Statements are approved by the shareholders at the Annual General Meeting. The Consolidated Financial Statements were authorised for issue by the Board of Directors on 2 March 2022.

Presentation of Consolidated Financial Statements

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The Consolidated Financial Statements comply with Article 4 of the EU IAS Regulation.

Amounts in the Consolidated Financial Statements are stated in US Dollars ($), the currency of the primary economic environment in which the Group operates. Group entities whose functional currency is not the US Dollar are consolidated in accordance with the policies set out in Note 3 'Significant accounting policies'.

The Consolidated Financial Statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and balances required to be measured at fair value. The principal accounting policies adopted are consistent with the Consolidated Financial Statements for the year ended 31 December 2020, except where noted in Note 2 'Adoption of new accounting standards'.

Going concern

The Consolidated Financial Statements have been prepared on the going concern basis.

The global economy remains impacted by the unprecedented health and economic crisis following the outbreak of the Covid-19 pandemic. Management continues to monitor the potential operational, market and financial impacts to the Group including the mitigating impacts of the vaccination roll-out. Despite the remaining uncertainty regarding the potential impacts of the Covid-19 pandemic, management considers that there are no significant doubts over the application of the going concern assumption and no disclosable material uncertainties which cast doubt upon the Group's ability to continue as a going concern.

During 2021, the Group incurred net Covid-19 costs of approximately $27.0 million (2020: $70.0 million) related to factors such as vessel standby days due to onboard outbreaks of the virus, additional vessel crew change-over times and costs, and additional operational costs as a result of supply chain and travel restrictions. These were partly offset by reduced travel costs incurred by onshore employees and some cost compensation by certain clients. Management expects that net Covid-19 costs will continue to be incurred in 2022. Management will continue to work with its clients and suppliers to mitigate the impacts of the pandemic on operations.

The Group retained a strong cash position with cash and cash equivalents of $597.6 million at 31 December 2021. Total borrowings at 31 December 2021 were $421.9 million, in relation to the Group's South Korean Export Credit Agency facility, drawdowns on the loan facility from UK Export Finance and the revolving credit facility acquired in relation to the OHT ASA business combination. The Group's $656 million multi-currency revolving credit and guarantee facility remained unutilised. The Group ended the year with backlog of $7.2 billion, an increase of $1.0 billion compared to 31 December 2020, demonstrating improving, near to medium-term activity levels. Forecasts continue to demonstrate that the Group will generate cash flows more than sufficient to support the assumption that the Group will continue as a going concern. Management has 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 energy 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 reasonable worst-case scenarios. In all scenarios management identified no forecast breaches of banking covenants and demonstrated sufficient liquidity for the Group.

As a Group, operational risks and resultant financial exposures arising due to the Covid-19 pandemic are described below. Management will continue to monitor these risks during 2022.

Onerous contract provisions
Onerous contract provisions were assessed in light of the requirements of IFRS 15 'Revenue from Contracts with Customers' and IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Certain inefficiencies were identified as a direct consequence of additional costs incurred, and expected to be incurred, as a result of the Covid-19 pandemic. Management concluded that these costs did not contribute to the overall progression of contracts and were recognised as incurred. Costs of this nature will continue to be monitored by management during 2022.

Credit impairment and expected credit losses
During 2021, no material credit impairments were recognised as a result of the Covid-19 pandemic and the associated impacts on the global economy. The Group's expected credit loss allowances, calculated in accordance with IFRS 9 'Financial Instruments', were reviewed and individual assessments were undertaken where appropriate. Although this calculation utilises market-based credit analytics incorporating market and financial information which enables forward-looking analysis of the probability of default, the Group does not consider the actual risk of credit impairment to be materially higher than before the pandemic. The Group does not have a significant exposure to any single counterparty and this is expected to continue to be the case during 2022.

Asset impairment, including goodwill and right-of-use assets
The Group's annual impairment review was performed during the fourth quarter of 2021, no significant impairments were recognised in relation to goodwill, intangible assets, property, plant and equipment and right-of-use assets.

2. ADOPTION OF NEW ACCOUNTING STANDARDS
Effective new accounting standards
No new International Financial Reporting Standards (IFRS) were adopted by the Group for the financial year beginning 1 January 2021. Several amendments to IFRS were applied for the first time in 2021 but did not have an impact on the Consolidated Financial Statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES
Basis of consolidation
The Consolidated Financial Statements incorporate the financial statements of Subsea 7 S.A. (the Company) and entities controlled by the Company (its subsidiaries). Control is assumed to exist where the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control. If the Group loses control over a subsidiary it derecognises related assets, liabilities and non-controlling interests and other components of equity, while any resultant gain or loss is recognised in income or loss. Any investment retained is recognised at fair value.

The Group consolidates non-wholly-owned subsidiaries where it can be considered to exercise control over the entity. In some cases this may result in the consolidation of non-wholly-owned subsidiaries in which the Group holds less than 50% of the voting rights when there is no history of the other shareholders exercising their votes to outvote the Group.

Subsidiaries
Assets, liabilities, income and expenses of a subsidiary are included in the Consolidated Financial Statements from the date the Group obtains control over the subsidiary until the date the Group ceases to control the subsidiary. Changes in the Group's interest in a subsidiary that do not result in the Group ceasing to control that subsidiary are accounted for as equity transactions.

Where necessary, adjustments are made to the financial statements of subsidiaries to align these with the accounting policies of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Note 40 'Wholly-owned subsidiaries' includes information related to wholly-owned subsidiaries which are included in the Consolidated Financial Statements of the Group.

All subsidiaries are wholly-owned (100%) except those listed in Note 26 'Non-controlling interests'. Non-controlling interests comprise equity interests in subsidiaries which are not attributable, directly or indirectly, to the Company. Non-controlling interests in the net assets or liabilities of subsidiaries are identified separately from the equity attributable to shareholders of the parent company. Non-controlling interests consist of the amount of those interests at the date that the Group obtains control over the subsidiary together with the non-controlling shareholders' share of net income or loss and other comprehensive income or loss since that date.

Interests in associates and joint arrangements
An associate is an entity over which the Group has significant influence, but not control, and which is neither a subsidiary nor a joint venture. Significant influence is defined as the right to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint arrangement is an arrangement in which two or more parties have joint control. A joint arrangement is classified as either a joint venture or a joint operation depending upon the rights and obligations of the parties to the arrangement.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Interests in associates and joint ventures are accounted for using the equity method. Under this method, the investment is recognised in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture, less any provisions for impairment. The Consolidated Income Statement reflects the Group's share of net income or loss of the associate or joint venture. Losses in excess of the Group's interest (which includes any long-term interests that, in substance, form part of the Group's net investment) are only recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Where there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share in the Consolidated Statement of Comprehensive Income.

Interests in joint operations are accounted for in line with the Group's proportional interest in the joint operations. As a joint operator the Group recognises its interest in: assets (including its share of any assets held jointly); liabilities (including its share of any liabilities incurred jointly); revenue from the sale of its share of output by the joint operation; and expenses (including its share of any expenses incurred jointly).

Foreign currency translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Functional currency is defined as the currency of the primary economic environment in which the entity operates. While this is usually the local currency, the US Dollar is designated as the functional currency of certain entities where transactions and cash flows are predominantly in US Dollars.

All transactions in non-functional currencies are initially translated into the functional currency of each entity at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in non-functional currencies are translated to the functional currency at the exchange rate prevailing at the balance sheet date.

All resulting exchange rate gains and losses are recognised in the Consolidated Income Statement. Non-monetary items which are measured at historical cost in a non-functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the initial transactions. Non-monetary items which are measured at fair value in a non-functional currency are translated to the functional currency using the exchange rate prevailing at the date when the fair value was determined.

Foreign exchange revaluations of short-term intra-group balances denominated in non-functional currencies are recognised in the Consolidated Income Statement. Revaluations of long-term intra-group loans are recognised in the translation reserve in equity.

The assets and liabilities of operations which have a non-US Dollar functional currency are translated into the Group's reporting currency, US Dollar, at the exchange rate prevailing at the balance sheet date. The exchange rate differences arising on the translation are recognised in the translation reserve in equity. Income and expenditure items are translated at the weighted average exchange rates for the year. On disposal of an entity with a non-US Dollar functional currency the cumulative translation adjustment previously recognised in the translation reserve in equity is reclassified to the Consolidated Income Statement. At 31 December 2021, the exchange rates of the main currencies used throughout the Group, compared to the US Dollar, were as follows:

GBP	0.749
EUR	0.883
NOK	8.879
BRL	5.660
CNY	6.370

Revenue from contracts with customers

The Group applies the IFRS 15 'Revenue from Contracts with Customers' five-step model whereby revenue is recognised at an amount which reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

The Group's revenue comprises revenue recognised from contracts with customers for the provision of long-term fixed-price contracts, services under charter agreements, day-rate contracts, reimbursable contracts, cost-plus contracts (and similar contracts), each of which are considered to comprise one performance obligation. The following is a description of the principal activities, by operating segment, from which the Group generates revenue as disclosed in the disaggregated revenue analysis (Note 5 'Segment information').

Subsea and Conventional

Subsea and Conventional work, which includes Engineering, Procurement, Installation and Commissioning (EPIC) contracts, is generally contracted on a fixed-price basis. The costs and margins realised on such contracts vary dependent on a number of factors which may result in reduced margins or, in some cases, losses. The promised goods and services within each contract are considered to be distinct as a bundle under IFRS 15. Due to the significant integration, customisation and highly interrelated nature of the work performed they form one performance obligation with revenue being recognised over time. During a contract, work is performed for the sole benefit of the client who continually monitors progress. Clients may also participate in the supplier selection processes for procured items. During the offshore phase of a contract, the Group typically executes work related to the installation of the client's assets. Due to the nature of the work performed the Group would not have an alternative use for the works performed under a contract for a specific client. The transaction price for these types of contracts, where there is an element of variable consideration, which includes variation orders, claims, bonuses and liquidated damages, is based upon the single most likely outcome.

Any additional work, such as scope changes or variation orders, as well as other variable consideration, will be included within the total price once the amounts can be reasonably estimated and management has concluded that it is highly probable that recognition will not result in a significant revenue reversal in a future period.

For EPIC contracts, revenue is recognised in each period based upon the advancement of the work-in-progress. The input method used to progressively recognise revenue over time is based upon percentage-of-completion whereby total costs incurred to date are compared with total forecast costs at completion of the contract. This method provides a faithful depiction of the transfer of goods and services to the customer. Any significant upfront procurement which is not customised for the specific contract is not included within the actual cost of work performed until such time as the costs incurred are proportionate to the progress in satisfying the performance obligation. Similarly an adjustment to the measurement of progress may be required where significant inefficiencies occur. Typically payment is due from the customer between 30 to 60 days following the issuance of the invoice, although this may be longer depending upon the client or customary payment terms in certain geographies. The contracts have no significant financing component as the period between when the Group transfers promised goods or services to a customer and when the customer pays for those goods or services will be one year or less. In circumstances where the Group has recognised revenue, but not issued an invoice, the entitlement to consideration is recognised as a construction contract asset. The construction contract asset is transferred to trade and other receivables in accordance with the agreed milestone schedule which reflects the unconditional entitlement to payment. The time elapsing before transfer to trade and other receivables may be different between contracts depending upon the contractual terms and conditions. Construction contract liabilities arise when progress billings to date exceed contract revenues recognised. Assurance type warranty periods commence at the completion of the contractual obligations and typically have a duration of between one to three years. Construction contract asset and liability balances at 31 December 2021 and 2020 are disclosed within Note 22 'Construction contracts'.

The Group's Pipelay Support Vessel (PLSV) contracts, offshore Brazil, are also included within this category of revenue. PLSV revenue is based upon an agreed schedule of work applied to a range of daily operating activities pre-agreed with the customer. As such these contracts are considered to be distinct as a pattern and hence one performance obligation under the guidelines within IFRS 15. Each day is distinct with the overall promise being the delivery of a series of days which have the same pattern of transfer to the customer. The transaction price for all PLSV contracts is determined by the expected value approach being the number of days multiplied by the expected day-rate. This method of revenue recognition for PLSV contracts provides a faithful depiction of the transfer of goods and services. Typically the value of work completed in any one month corresponds directly with the Group's right to payment. Payment is due from the client approximately 60 days following invoice date. These contracts have no significant financing component. Unbilled revenue related to work completed, which has not been billed to the customer, is included within Note 21 'Other accrued income and prepaid expenses'.

Front-end engineering studies (FEED) undertaken by the Group are also included within this category of revenue principally on a day-rate basis. Revenue recognition for day-rate contracts is described in the paragraph below.

The Group provides Remotely Operated Vehicles (ROVs), survey and inspection, drill-rig support and related solutions on a day-rate basis. Projects are contracted on the basis of an agreed schedule of rates applied to a range of daily operating activities. These contracts are considered to be distinct as a pattern and hence one performance obligation under the guidelines within IFRS 15. Each day is distinct with the overall promise being the delivery of a series of days that have the same pattern of transfer to the customer. The transaction price for all day-rate contracts is determined by the expected value approach, being the number of days multiplied by the expected day-rate. This method of revenue recognition for day-rate contracts provides a faithful depiction of the transfer of goods and services. Typically the value of work completed in any one month corresponds directly with Subsea 7's right to payment. Payment is due from the client approximately 30-45 days following the invoice date. These contracts have no significant financing component. Unbilled revenue related to work completed, which has not been billed to clients, is included within Note 21 'Other accrued income and prepaid expenses'.

Customers, in certain circumstances, may request the commissioning of bespoke tooling. Revenue in relation to bespoke tooling, which is not significant in relation to the Group's overall revenue, is considered distinct in its own right. Dependent on the individual contract with the customer, revenue from the sale of this bespoke tooling may be recognised over time or at a point in time when control of the asset is transferred to the customer, generally on delivery.

Renewables

Renewables contracts which include the construction and installation of fixed offshore wind turbine foundations and inner-array cables, heavy lifting operations, decommissioning and heavy transportation are generally contracted on a fixed-price basis. Similar to EPIC contracts, the promised goods and services within Renewables contracts are considered to be distinct as a bundle and hence one performance obligation with revenue being recognised over time. Although the promises within the contract are capable of being distinct, management has concluded that they are not due to the significant integration, customisation and highly interrelated nature of each contract. The contract work performed is for the sole benefit of the customer who continually monitors progress and the Group would not have an alternative use for work performed under a specific contract. Clients may also participate in the supplier selection processes for procured items. The transaction price for these types of contracts, where there is an element of variable consideration, is based upon the single most likely outcome.

Any additional work, such as scope changes or variation orders, as well as other variable consideration will be included within the total price once the amounts can be reasonably estimated and management has concluded that this will not result in a significant revenue reversal in a future period.

For Renewables contracts the input method used to progressively recognise revenue over time is based upon percentage-of-completion whereby total costs incurred to date are compared with total forecast costs at completion of the contract. This method provides a faithful depiction of the transfer of the goods and services to the customer. Any significant upfront procurement which is not customised for the particular contract is not included within the actual cost of work performed at each period end. An adjustment to the measure of progress may be required where significant inefficiencies occur which were not reflected in the price of the contract. Payment is due from the client approximately 30-45 days following the issuance of the invoice, although this may be longer depending upon the client or customary payment terms in certain geographies. These contracts have no significant financing component as the period between when the Group

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

transfers the promised goods or services to the customer and when the customer pays for those goods or services will be one year or less. In circumstances where the Group has recognised revenue, but not issued an invoice, the entitlement to consideration is recognised as a construction contract asset. The construction contract asset is transferred to trade and other receivables in accordance with the agreed milestone schedule which reflects the unconditional entitlement to payment. The time elapsing before transfer to trade and other receivables may be different between contracts depending upon the contractual terms and conditions. Construction contract liabilities arise when progress billings exceed contract revenues. Assurance type warranty periods commence at the completion of the contractual obligations. Construction contract asset and liability balances at 31 December 2021 and 2020 are disclosed within Note 22 ‘Construction contracts’.

The Group operates a fleet of vessels which provide heavy transportation services mainly related to the offshore energy sector, with a focus on the fixed offshore wind market. Under these contracts the Group’s vessels transport a specific agreed-upon cargo for a single voyage. The Group treats these as voyage charter contracts, and applies the input method to progressively recognise revenue over time based upon percentage-of-completion whereby total costs incurred to date are compared with total forecast costs at completion of the contract. This method provides a faithful depiction of the transfer of the goods and services to the customer. The Group generally has standard payment terms of approximately 10% freight paid on signing of contract, 40% on loading and 50% on discharge. These contracts have no significant financing component as the period between when the Group transfers the promised goods or services to the customer and when the customer pays for those goods or services will be one year or less. Voyage charter contracts consist of a single performance obligation of transporting cargo within a specified period. The voyage charters generally have variable consideration in the form of demurrage, which is recognised over the period in which the performance obligations are met under the contract. Demurrage is estimated at contract inception using either the expected value or most likely amount approaches. Such estimate is reviewed and updated over the term of the voyage charter contract.

Corporate

Revenue within the Group’s Corporate segment, which is not material to the Group, relates to activities in its autonomous subsidiaries, Xodus and 4Subsea, and its non-wholly-owned subsidiary, Nautilus Floating Solutions. Contracts with customers in these subsidiaries are contracted on either a fixed-price or day-rate basis. Revenue related to these contracts is recognised using the method described previously for similar contracts within the Subsea and Conventional business unit. Payment is due from the client approximately 30-60 days following the issuance of the invoice. These contracts have no significant financing component as the period between when the Group transfers the promised goods or services to the customer and when the customer pays for those goods or services will be one year or less. Construction contract asset and liability balances related to fixed-price contracts at 31 December 2021 and 2020 are disclosed within Note 22 ‘Construction contracts’. Unbilled revenue related work completed on day-rate contracts, which has not been billed to clients, is included within Note 21 ‘Other accrued income and prepaid expenses’.

Advances received from customers

For certain contracts the Group may receive short-term advances from customers which are presented as deferred revenue within the Consolidated Balance Sheet. Advances received from customers include amounts received before the work is performed on day-rate and fixed-price contracts. The consideration is not adjusted for the effects of a financing component where the Group expects, at contract inception, that the period between when the customer pays for the service and when the Group transfers that promised service to the customer will be 12 months or less.

Principal versus agent

For certain projects the Group provides procurement services and assumes responsibility for the logistics and handling of procured items. Management’s assessment of whether a principal or agent relationship exists is based upon whether the Group has the ability to control the goods before they are transferred to the customer. This assessment is performed on a contract-by-contract basis at contract inception.

Variable consideration

Variable consideration is constrained at contract inception to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Warranty obligations

The Group provides warranties for the repair of defects which are identified during the contract and within a defined period thereafter. All are assurance-type warranties, as defined within IFRS 15, which the Group recognises under IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’. The Group does not have any contractual obligations for service-type warranties.

Borrowing costs

Borrowing costs attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. These amounts are calculated using the effective interest rate related to the period of the expenditure. All other borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

Finance costs

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

Retirement benefit costs

The Group administers several defined contribution pension plans. Obligations in respect of such plans are charged to the Consolidated Income Statement as they fall due.

In addition, the Group administers a small number of defined benefit pension plans. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Remeasurements, comprising actuarial gains and losses and the return on plan assets (excluding net interest) are recognised immediately through the Consolidated Statement of Comprehensive Income in the period in which they occur with a corresponding adjustment in the Consolidated Balance Sheet. Remeasurements are not reclassified to the Consolidated Income Statement in subsequent periods. Past service costs are recognised in the Consolidated Income Statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises portions of the service cost (comprising current and past service costs) gains and losses on curtailments, non-routine settlements and net interest expense or income in the net defined benefit obligation under both operating expenses and administrative expenses in the Consolidated Income Statement. The Group is also committed to providing lump-sum retirement bonuses to employees upon retirement in certain countries. These retirement bonuses are unfunded, and are recorded in the Consolidated Balance Sheet at their actuarial valuation.

A defined benefit pension plan is considered settled once all future legal or constructive obligations for part or all of the benefits provided are eliminated. Upon settlement the defined benefit asset/liability is remeasured using the current fair value of the plan assets and current actuarial assumptions. Any difference between the current defined benefit asset/liability and the fair value will be recognised as a gain or loss and released from other reserves to retained earnings.

Taxation

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

Current tax

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

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

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are substantively enacted and expected to apply in the period when the asset is realised or the liability is settled. Deferred tax is charged or credited to the Consolidated Income Statement, except when it relates to items charged or credited directly in the Consolidated Statement of Comprehensive Income in which case the deferred tax is also recognised within the Consolidated Statement of Comprehensive Income.

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

Uncertain tax treatments

In accordance with IFRIC 23 a provision for an uncertain tax treatment is made where the ultimate outcome of a particular tax matter is uncertain. In calculating a provision the Group assesses the probability of the liability arising and, where a reasonable estimate can be made, recognises a provision for the liability it considers probable to be required to settle the present obligation. Provisions are based on experience of similar transactions, internal estimates and appropriate external advice.

Dry-dock, mobilisation and decommissioning expenditure

Dry-dock expenditure incurred to maintain a vessel's classification is capitalised in the Consolidated Balance Sheet as a distinct component of the asset and amortised over the period until the next scheduled dry-docking (usually between two-and-a-half years and five years). At the date of the next dry-docking, the previous dry-dock asset and accumulated amortisation is derecognised. All other repair and maintenance costs are recognised in the Consolidated Income Statement as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

A provision is recognised for decommissioning expenditures required to restore a leased vessel to its original or agreed condition, together with a corresponding amount capitalised, when the Group recognises it has a present obligation and a reliable estimate can be made of the amount of the obligation.

Business combinations and goodwill

Business combinations

Acquisitions of subsidiaries and businesses, including business combinations completed in stages, are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the acquisition date) of cash and other assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Where an acquisition qualifies as a business combination completed in stages, consideration includes the fair value of the Group's equity interest prior to the combination. Any gain or loss associated with the remeasurement of the equity interest to fair value is recognised as a remeasurement gain or loss in the Consolidated Income Statement. Acquisition-related costs are recognised in the Consolidated Income Statement as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are recognised as an adjustment to the cost of the acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with the relevant IFRS. Changes in the fair value of contingent consideration classified as equity are not recognised. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at fair value on the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 'Income Taxes';
- liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 'Employee Benefits';
- lease liabilities for which the Group is lessee are measured as if the lease contract were a new lease in accordance with IFRS 16 'Leases';
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 'Share-based Payments'; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete, to the extent that the amounts can be reliably calculated. These provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained regarding facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information regarding facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired by the Group (the acquisition date). Goodwill is measured as the sum of the consideration and either the amount of any non-controlling interests in the acquiree or the fair value of the Group's previously held equity interest in the entity less the net fair value of the identifiable assets acquired and the liabilities assumed at the acquisition date. If the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration and either the amount of any non-controlling interests in the acquiree or the fair value of the Group's previously held equity interest in the acquiree, the excess is recognised immediately in the Consolidated Income Statement. Goodwill is reviewed for impairment at least annually.

Intangible assets other than goodwill

Overview

Intangible assets acquired separately are measured at cost at the date of initial acquisition. Following initial recognition, intangible assets are measured at cost less amortisation and impairment charges. Intangible assets acquired as part of a business combination are measured at fair value at the date of acquisition. Following initial recognition, intangible assets acquired as part of a business combination are measured at acquisition date fair value less amortisation and impairment charges.

Internally generated intangible assets are not capitalised, with the exception of development expenditure which meets the criteria for capitalisation specified in IAS 38 'Intangible Assets'.

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

Property, plant and equipment

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

Assets under construction are recognised at cost, less any recognised impairment charges. Depreciation of these assets commences when the assets become operational and are deemed available for use.

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

Vessels	10 to 25 years
Operating equipment	3 to 10 years
Buildings	20 to 25 years
Other assets	3 to 7 years

Land is not depreciated.

Vessels are depreciated to their estimated residual value. Residual values, useful economic lives and methods of depreciation are reviewed at least annually and adjusted if appropriate.

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

Impairment of non-financial assets

At each reporting date the Group assesses whether there is any indication that non-financial assets, including intangible assets, property, plant and equipment and right-of-use assets, may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's fair value less costs of disposal and its value-in-use. Where an asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset is allocated. Where the carrying amount of an asset exceeds its recoverable amount, the asset is impaired. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. Management has considered the potential impacts of climate risk and whether this will have an adverse impact on the future use of the Group's assets, including vessels and equipment. The Group operates within the offshore renewable sector and it is expected that demand for the Group's services will increase due to climate related opportunities. Management does not consider there is a significant risk that the Group's vessels will become obsolete due to climate considerations as they form a key part in the transition to the provision of sustainable energy.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment charges may require to be reversed. If such an indication exists the Group makes an estimate of the recoverable amount. A previously recognised impairment charge is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment charge was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment charge been recognised for the asset in prior periods. Any such reversal is recognised in the Consolidated Income Statement. The following criteria are also applied in assessing impairment of specific assets:

Goodwill

An assessment is made at each reporting date as to whether there is an indication of impairment. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or group of CGUs, that are expected to benefit from the combination.

Each CGU or group of CGUs to which the goodwill is allocated initially represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and is not larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'. If circumstances give rise to a change in the composition of CGUs and a reallocation is justified, goodwill is reallocated based on relative value at the time of the change in composition. Following any reorganisation, the CGU cannot be larger than an operating segment determined in accordance with IFRS 8 'Operating Segments'. Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs) to which the goodwill relates. Recoverable amounts are determined based on value-in-use calculations using discounted pre-tax cash flow projections based on risk-adjusted financial forecasts approved by the Executive Management Team.

As cash flow projections are risk-adjusted for CGU specific risks, risk premiums are not applied to the discount rate which is applied to all CGUs. The discount rate applied to the cash flow projections is a pre-tax rate and reflects current market assessments of the time value of money, risks specific to the asset and a normalised capital structure for the industry. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment charge is recognised in the Consolidated Income Statement. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that CGU is disposed, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in this circumstance is measured based on the relative values of the operation disposed and the portion of the CGU retained.

Associates and joint ventures

At each reporting date the Group determines whether there is any objective evidence that the investment in an associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the estimated fair value of the associate or joint venture and its carrying amount. The resultant impairment charge is recognised in the Consolidated Income Statement.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial instruments

Classification and measurement

The Group's financial assets include cash and short-term deposits, trade and other receivables, construction contract assets, other receivables, derivative financial instruments and equity investments which are classified as other financial assets. The Group's financial liabilities include trade and other payables, contingent consideration, borrowings and derivative financial instruments.

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

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

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

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

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

The Group enters into forward foreign currency contracts, in order to manage its foreign currency exposures; these are measured at FVPL. The Group regularly enters into multi-currency contracts from which the cash flows may lead to embedded foreign exchange derivatives in non-financial host contracts, carried at FVPL. The Group reassesses the existence of an embedded derivative if the terms of the host financial instrument change significantly. The fair values of derivative financial instruments are measured on bid prices for assets held and offer prices for issued liabilities based on values quoted in active markets. Changes in the fair value of derivative financial instruments which do not qualify for hedge accounting are recognised in the Consolidated Income Statement within other gains and losses.

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

Hedge accounting

The Group, for the purposes of hedge accounting, recognises cash flow hedges when hedging the exposure to variability in cash flows which are attributable to commodity prices. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements, including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income (OCI), in other reserves, while any ineffective portion is recognised immediately in the Consolidated Income Statement. Other reserves is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The Group uses forward commodity contracts to manage its exposure to volatility in commodity prices. The ineffective portion relating to commodity contracts is recognised in other operating expenses. The Group designates only the spot element of forward contracts as a hedging instrument. The amount accumulated in OCI is reclassified to the Consolidated Income Statement as a reclassification adjustment in the same period or periods as the hedged cash flows.

Impairment of financial assets and construction contract assets

The Group applies the expected credit loss (ECL) impairment model to record allowances for expected credit losses. The expected credit loss model applies to all debt financial assets accounted for in accordance with IFRS 9 'Financial Instruments'. The expected credit loss impairment model is also applied to contract assets accounted for under IFRS 15 'Revenue from Contracts with Customers'.

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

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

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

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

Financial investments

The Group's non-current financial investments comprise strategic shareholdings in technology companies. These investments are held at cost, deemed an appropriate estimate of fair value, due to the uncertainty over technical milestones and the wide range of possible fair value measurements. These investments are reviewed for indicators of impairment at each reporting date.

Inventories

Inventories comprise consumables, materials and non-critical spares and are valued at the lower of cost and net realisable value.

Treasury shares

Treasury shares are the Group's own equity instruments which are repurchased and shown within equity at cost, using the first-in first-out basis. Gains or losses realised or incurred on the purchase, sale, reallocation or cancellation of the Group's own equity instruments are recognised within equity. No gains or losses are recognised in the Consolidated Income Statement.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past transaction or event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised represents the best estimate of the expenditure expected to be required to settle the present obligation. Estimates are determined by the judgement of management supplemented by the experience of similar transactions, and, in some cases, advice from independent experts. Contingent liabilities are disclosed in Note 32 'Commitments and contingent liabilities' to the Consolidated Financial Statements, but not recognised until they meet the criteria for recognition as a provision. Where the Group is virtually certain that some or all of a provision will be reimbursed, that reimbursement is recognised as a separate asset. The expense relating to any provision is reflected in the Consolidated Income Statement at an amount reflective of the risks specific to the liability. Where the provision is discounted, any increase in the provision due to the passage of time is recognised as a finance cost in the Group's Consolidated Income Statement.

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

Onerous contracts

The Group recognises provisions for onerous contracts once the underlying event or conditions leading to the contract becoming onerous are probable and a reliable estimate can be made. Onerous fixed-price contract provisions are assessed in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Onerous provisions are calculated on a least net cost basis, which includes unavoidable costs only, while comparing these costs to the cost of cancelling a contract and incurring early termination fees.

Legal claims

In the ordinary course of business, the Group is subject to various claims, litigation and complaints. An associated provision is recognised if it is probable that a liability has been incurred and the amount can be reliably estimated.

Contingent consideration

The Group recognises a provision where, as part of the sale and purchase agreement, contingent consideration has been agreed. The amount and timing of contingent consideration is often uncertain and is payable based on the achievement of specific targets and milestones. The liability is initially measured at its acquisition date fair value, determined using the discounted cash flows method and unobservable inputs and is remeasured at each reporting date. Changes in fair value are recognised in the Consolidated Income Statement.

Share-based payments

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

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

Earnings per share

Earnings per share is calculated using the weighted average number of common shares and common share equivalents outstanding during each period excluding treasury shares. The potentially dilutive effect of outstanding performance shares is reflected as share dilution in the computation of diluted earnings per share.

Right-of-use assets and lease liabilities

The Group applies IFRS 16 ‘Leases’ and assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets which vary as follows:

Vessels	2 to 5 years
Operating equipment	2 to 5 years
Land and buildings	3 to 10 years

The cost of a right-of-use asset includes an estimate of costs expected to be incurred by the Group on termination of the lease to reinstate the underlying asset to the condition required by the terms and conditions of the lease. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having utilised the underlying asset during the period. Right-of-use assets are subject to a review for indicators of impairment at least annually.

Lease liabilities

The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of purchase options reasonably certain to be exercised by the Group. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses an incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to its short-term leases, which are those leases which have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group also applies the low-value assets recognition exemption to assets which are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expenses in the Consolidated Income Statement on a straight-line basis over the lease term.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in Note 3 'Significant accounting policies', management is required to make judgements, estimates and assumptions regarding the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

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

Revenue recognition

The Group's accounting policies under IFRS 15 'Revenue from Contracts with Customers' are detailed in Note 3 'Significant accounting policies'.

Revenue recognition on long-term construction contracts

The Group accounts for long-term construction contracts for both engineering, procurement, installation and commissioning (EPIC) projects using the percentage-of-completion method, which is standard practice in the industry. Contract revenue, total cost estimates and estimates of physical progression are reviewed by management on a monthly basis. Any adjustments made as a result of these reviews are reflected in contract revenue or contract costs in the reporting period, based on the percentage-of-completion method.

To the extent that these adjustments result in a reduction or elimination of previously reported contract revenue or costs, a charge or credit is recognised in the Consolidated Income Statement; amounts in prior periods are not restated. Such a charge or credit may be significant depending on the size of the project, the stage of project completion and the size of the adjustment. Additional information that enhances and refines the estimating process is often obtained after the balance sheet date but before the issuance of the Consolidated Financial Statements, which may result in an adjustment to the Consolidated Financial Statements based on events, favourable or unfavourable, occurring after the balance sheet date.

The percentage-of-completion method requires management to make reliable estimates of physical progression, costs incurred, full project contract costs and full project contract revenue. The Group's Project Monthly Status Reports (PMSRs) evaluate the likely outcome of each individual project for the purpose of making reliable estimates of cost, revenue and progression, measured either by cost or physical progression. A key element of the PMSRs is the estimate of contingency. Contingency is an estimate of the costs required to address the potential future outcome of identified project risks. The Group uses a systematic approach in estimating contingency based on project size. This approach utilises a project specific risk register in order to identify and assess the likelihood and impact of these risks. The most significant risks and uncertainties in the Group's projects typically relate to the offshore phase of operations. Identified risks that materialise may result in increased costs. Contingency associated with identified risks are removed from the full project cost estimate throughout the remaining life of the project if the identified risks have not, or are not, expected to materialise.

Revenue recognition on variable consideration

A significant portion of the Group's revenue is billed under fixed-price contracts. Due to the nature of the services performed, variation orders and claims are common. A variation order is an instruction by the client for a change in the scope of the work to be performed under the contract which may lead to an increase or a decrease in contract revenue based on changes in the specifications or design of an asset and changes in the duration of the contract.

A claim is an amount that may be collected as reimbursement for costs not included in the contract price. A claim may arise from delays caused by clients, errors in specifications or design, and disputed variations in contract work. The measurement of revenue arising from claims is subject to a high level of uncertainty and is dependent on the outcome of negotiations.

Recognition of revenue on variation orders and claims is governed by the Group's revenue recognition policy.

Goodwill carrying amount

Goodwill is reviewed at least annually to assess whether there is objective evidence to indicate that the carrying amount of goodwill requires impairment at a CGU level. The impairment review is performed on a value-in-use basis which requires the estimation of future cash flows. Further details relating to the impairment review process are disclosed in Note 13 'Goodwill'.

Property, plant and equipment

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

A review for indicators of impairment is performed at each reporting date. When events or changes in circumstances indicate that the carrying amount of property, plant and equipment may not be recoverable, a review for impairment is carried out by management. Where the value-in-use method is used to determine the recoverable amount of an asset, management uses its judgement in determining the CGU to which the asset belongs, or whether the asset can be considered a CGU in its own right. The level of aggregation of assets is a significant assumption made by management and includes consideration of which assets generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Management has determined that vessels are not CGUs individually as they do not generate cash inflows independently of other Group assets. Once the CGU has been determined management uses its judgement in determining the value-in-use of the CGU, as detailed in Note 13 'Goodwill'. Where an asset is considered a CGU in its own right management uses its judgement to estimate future asset utilisation, cash flows, remaining life and the discount rate used.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

Recognition of provisions and disclosure of contingent liabilities

In the ordinary course of business, the Group becomes involved in contract disputes from time-to-time due to the nature of its activities as a contracting business involved in multiple long-term projects at any given time. The Group recognises provisions to cover the expected risk of loss to the extent that negative outcomes are likely and reliable estimates can be made. The final outcomes of these contract disputes are subject to uncertainties as to whether or not they develop into a formal legal action and therefore the resulting liabilities may exceed the liability anticipated by management.

Furthermore, the Group may be involved in legal proceedings from time-to-time; these proceedings are incidental to the ordinary conduct of its business. Litigation is subject to many uncertainties, and the outcome of individual matters is not predictable with assurance. It is reasonably possible that the final resolution of any litigation could require the Group to incur additional expenditures in excess of provisions that it may have previously recognised.

Management uses its judgement in determining whether the Group should recognise a provision or disclose a contingent liability. These judgements include whether the Group has a present obligation and the probability that an outflow of economic resource is required to settle the obligation. Management may also use its judgement to determine the amount of the obligation or contingent liability. Management uses external advisers to assist with some of these judgements. Further details relating to provisions and contingent liabilities are shown in Note 31 ‘Provisions’ and Note 32 ‘Commitments and contingent liabilities’.

Measurement of fair value adjustments in business combinations

Management uses judgement to determine the fair value adjustments to identifiable assets acquired and liabilities assumed in a business combination. Where available, independent market value assessments are obtained for vessels to provide an estimate of fair value.

Fair value adjustments to part-built assets requires significant judgement, including an assessment of the forecast full costs at completion of the assets. Independent market value assessments are generally not readily available. Management applies judgement in order to determine the fair value of part-completed assets taking into consideration the underlying strategic rationale for the business combination and the additional opportunities the acquisition of the vessels will bring to the Group.

Measurement of onerous fixed-price contract provisions in business combinations

The Group recognises provisions for onerous fixed-price contracts where the required fair value exercise indicates that the costs of completing a project acquired in a business combination exceed the economic benefit. Judgement is applied to determine the underlying events or conditions leading to the contract becoming onerous to ensure that the facts and circumstances existed at the date of the business combination. Onerous fixed-price contract provisions are assessed in accordance with IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’. Fixed-price onerous provisions are calculated on a least net cost basis, which includes unavoidable costs only, while comparing these costs to the cost of cancelling a contract and incurring early termination fees.

Taxation

The Group is subject to taxation in numerous jurisdictions and significant judgement is required in calculating the consolidated tax position. There are transactions for which the ultimate tax determination is uncertain and for which the Group makes provisions based on an assessment of internal estimates and appropriate external advice, including decisions regarding whether to recognise deferred tax assets in respect of tax losses. Each year management completes a detailed review of uncertain tax treatments across the Group and makes provisions based on the probability of the liability arising. Where the final outcome of these matters differs from the amounts that were initially recorded, the difference will impact the taxation charge in the period in which the outcome is determined. Details of key judgements and other issues considered are set out in Note 9 ‘Taxation’.

5. SEGMENT INFORMATION

With effect from 1 January 2021, for management and reporting purposes, the Group implemented a new organisational structure comprising three business units: Subsea and Conventional, Renewables and Corporate. These business units represent the Group's operating segments and are defined as follows:

Subsea and Conventional

The Subsea and Conventional business unit includes:

- Subsea Umbilicals, Risers and Flowlines (SURF) activities related to the engineering, procurement, installation and commissioning of highly complex subsea oil and gas systems in deep waters, including the long-term contracts for PLSVs in Brazil;
- Conventional services including the fabrication, installation, extension and refurbishment of fixed and floating platforms and associated pipelines in shallow water environments;
- Activities associated with the provision of inspection, repair and maintenance (IRM) services, integrity management of subsea infrastructure and remote intervention support; and
- Activities associated with heavy lifting operations and decommissioning of redundant offshore structures.

This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Subsea and Conventional activities.

The Subsea and Conventional business unit provides vessel and crewing services to the Group's Renewables business unit, which includes the Group's non-wholly-owned subsidiary Seaway 7 ASA; these are recharged on an arm's length basis.

Renewables

The Renewables business unit comprises activities primarily related to the delivery of fixed offshore wind farm projects. Following the business combination with OHT ASA (renamed Seaway 7 ASA) on 1 October 2021, the Group's fixed offshore wind farm activities are executed by Seaway 7 ASA, a non-wholly-owned subsidiary of the Group from that date. Activities include the procurement and installation of offshore wind turbine foundations and inner-array cables as well as heavy lifting operations and heavy transportation services for renewables structures. This segment includes costs, including depreciation, amortisation and impairment charges, related to owned and long-term leased vessels, equipment and offshore personnel deployed in Renewables activities.

Corporate

The Corporate business unit includes group-wide activities, and associated costs, including captive insurance activities, operational support, corporate services and costs associated with discrete events such as restructuring. The Corporate business unit also includes the results of the Group's autonomous subsidiaries, Xodus and 4Subsea, and the Group's floating wind farm activities including its non-wholly-owned subsidiary Nautilus Floating Solutions. A significant portion of the Corporate business unit's costs were allocated to the Subsea and Conventional business unit (for full year 2021) and the Renewables business unit (until 30 September 2021) based on a percentage of their respective external revenue. From 1 October 2021 the Corporate business unit provided specific services to the Renewables business unit, which includes the Group's non-wholly-owned subsidiary Seaway 7 ASA, on an arm's length basis.

The accounting policies of the business units are the same as the Group's accounting policies, which are described in Note 3 'Significant accounting policies'.

Allocations of costs also occur between segments based on the physical location of personnel. The Chief Operating Decision Maker (CODM) is the Chief Executive Officer of the Group. The CODM is assisted by the other members of the Executive Management Team. Neither total assets nor total liabilities by operating segment are regularly provided to the CODM and consequently no such disclosure is shown.

Summarised financial information, including the disaggregation of the Group's revenue from contracts with customers, concerning each operating segment is as follows:

5. SEGMENT INFORMATION CONTINUED

For the year ended 31 December 2021

(in $ millions)	Subsea and Conventional	Renewables	Corporate	Total
Selected financial information:				
Revenue[(a)/(b)/(c)]				
Fixed-price projects	**3,015.2**	**1,259.3**	**9.5**	**4,284.0**
Day-rate projects	**659.4**	**0.2**	**66.4**	**726.0**
	3,674.6	**1,259.5**	**75.9**	**5,010.0**
Operating expenses	**(3,453.4)**	**(1,290.6)**	**29.8**	**(4,714.2)**
Share of net income of associates and joint ventures	**1.0**	**–**	**2.9**	**3.9**
Depreciation, mobilisation and amortisation charges	**(364.1)**	**(63.3)**	**(16.4)**	**(443.8)**
Net impairment of intangible assets, property, plant and equipment, and right-of-use assets	**(1.2)**	**–**	**(4.2)**	**(5.4)**
Reconciliation of net operating income/(loss) to income before taxes:				
Net operating income/(loss)	**102.7**	**(59.5)**	**28.5**	**71.7**
Finance income				**4.7**
Other gains and losses				**44.4**
Finance costs				**(20.1)**
Income before taxes				**100.7**
Adjusted EBITDA[(d)]	***468.0***	***3.8***	***49.1***	***520.9***
Adjusted EBITDA margin[(d)]	***12.7%***	***0.3%***	***64.7%***	***10.4%***

(a) Revenue represents only external revenue for each segment. An analysis of inter-segment revenue has not been included as this information is not provided to the CODM.
(b) Two clients in the year individually accounted for more than 10% of the Group's revenue. The revenue from these clients was as follows: Client A $793.6 million (2020: $335.5 million) and Client B $502.7 million (2020: $334.5 million).
(c) Revenue from contracts with customers recognised over time as defined by IFRS 15.
(d) Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to Additional Information.

For the year ended 31 December 2020

(in $ millions)	Subsea and Conventional Re-presented[(a)]	Renewables Re-presented[(a)]	Corporate Re-presented[(a)]	Total
Selected financial information:				
Revenue[(b)/(c)]				
Fixed-price projects	2,122.6	630.3	8.3	2,761.2
Day-rate projects	643.2	1.1	60.9	705.2
	2,765.8	631.4	69.2	3,466.4
Operating expenses	(2,883.1)	(645.8)	(124.0)	(3,652.9)
Impairment of goodwill	(592.2)	–	(13.2)	(605.4)
Share of net income/(loss) of associates and joint ventures	5.2	–	(5.7)	(0.5)
Depreciation, mobilisation and amortisation charges	(378.2)	(51.3)	(12.9)	(442.4)
Impairment of intangible assets, property, plant and equipment, and right-of-use assets	(294.6)	–	(28.5)	(323.1)
Reconciliation of net operating loss to loss before taxes:				
Net operating loss excluding goodwill impairment charges	(245.8)	(39.7)	(142.9)	(428.4)
Net operating loss including goodwill impairment charges	(838.0)	(39.7)	(156.1)	(1,033.8)
Finance income				4.8
Other gains and losses				(18.3)
Finance costs				(24.6)
Loss before taxes				(1,071.9)
Adjusted EBITDA[(d)]	*427.0*	*11.6*	*(101.5)*	*337.1*
Adjusted EBITDA margin[(d)]	*15.4%*	*1.8%*	*n/a*	*9.7%*

(a) Re-presented due to new organisational structure implemented from 1 January 2021.
(b) Revenue represents only external revenue for each segment. An analysis of inter-segment revenue has not been included as this information is not provided to the CODM.
(c) Revenue from contracts with customers recognised over time as defined by IFRS 15.
(d) Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS measures. For explanations and reconciliations of Adjusted EBITDA and Adjusted EBITDA margin refer to Additional Information.

Geographic information

Revenue from external clients

Based on the country of registered office of the Group's subsidiaries or branches, revenue is split as follows:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
United Kingdom	**1,682.8**	1,292.7
USA	**689.0**	520.3
Norway	**588.0**	490.2
Brazil	**400.4**	186.5
Saudi Arabia	**290.8**	101.6
Australia	**222.2**	133.5
Netherlands	**180.0**	166.4
Taiwan	**172.0**	126.7
Singapore	**165.3**	92.9
Mexico	**143.5**	52.4
Germany	**86.3**	30.6
Azerbaijan	**84.8**	66.4
Turkey	**74.6**	0.0
Trinidad & Tobago	**60.4**	6.8
Angola	**60.0**	58.0
Senegal	**53.5**	26.0
Qatar	**35.7**	15.6
Other countries[a]	**20.7**	99.8
	5,010.0	3,466.4

(a) Comparative information for the year ended 31 December 2020 includes external revenue of $70.7 million from the Group's subsidiaries or branches with a registered office in Ghana.

Non-current assets

Based on the country of registered office of the Group's subsidiaries or branches, non-current assets excluding goodwill, derivative financial instruments, retirement benefit assets and deferred tax assets are located in the following countries:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
United Kingdom	**2,194.7**	2,375.5
Isle of Man	**749.8**	864.6
Norway	**687.2**	274.4
Netherlands	**498.7**	506.4
USA	**75.9**	55.2
Nigeria	**60.3**	65.8
Brazil	**36.7**	35.4
Azerbaijan	**30.8**	41.9
Angola	**23.9**	35.2
Other countries	**58.4**	49.6
	4,416.4	4,304.0

6. NET OPERATING INCOME

Net operating income/(loss) includes:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Research and development costs	**11.7**	14.6
Employee benefits	**1,123.9**	933.6
Amortisation of intangible assets (Note 14)	**14.7**	14.7
Depreciation of property, plant and equipment (Note 15)	**341.1**	334.9
Amortisation of right-of-use assets (Note 16)	**78.5**	82.1
Amortisation of mobilisation costs	**9.5**	10.7
Lease expense for short-term leased assets	**520.7**	222.4
Lease expense for low-value leased assets	**0.6**	0.6
Variable lease payments not included within lease liabilities	**1.0**	2.6
Impairment of goodwill (Note 13)	**–**	605.4
Impairment of intangible assets (Note 14)	**4.8**	9.2
Impairment of property, plant and equipment (Note 15)	**4.1**	282.0
Impairment of right-of-use assets (Note 16)	**0.2**	31.9
Impairment reversal of right-of-use assets (Note 16)	**(3.7)**	–
Net (decrease)/increase in allowances for expected credit losses for financial assets	**(1.4)**	1.0
Net (decrease)/increase in allowances for expected credit losses on construction contract assets (Note 22)	**(0.6)**	2.7
Net credit impairment (credit)/loss for financial assets (Note 33)	**(15.7)**	13.2
Auditor's remuneration	**4.0**	2.7

The total fees chargeable to the Group by the principal auditing firm Ernst & Young S.A. and other member firms of Ernst & Young Global Limited were:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Audit fees	**3.7**	2.6
Tax fees	**0.3**	0.1
	4.0	2.7

Audit fees constitute charges incurred for non-prohibited professional services rendered by the Group's principal auditor and member firms. Charges were incurred for the audit of the consolidated and statutory financial statements of Subsea 7 S.A. and certain subsidiaries. Fees were primarily incurred in connection with the year ended 31 December 2021 but include final settlement of charges associated with the year ended 31 December 2020.

Tax fees constitute charges incurred for non-prohibited professional services rendered by the Group's principal auditor and member firms relating to the provision of tax advice and tax compliance services for work undertaken during the year ended 31 December 2021. Fees were primarily incurred in connection with the year ended 31 December 2021.

The Group's Audit Committee policy requires pre-approval of audit and non-audit services prior to the appointment of the providers of professional services together with highlighting excluded services which the Group's principal auditor cannot provide. The Audit Committee delegates approval to the Chief Financial Officer based on predetermined limits. The Audit Committee pre-approved or, in cases where pre-approval was delegated, ratified all audit and non-audit services, provided by the Group's principal auditor, to Subsea 7 S.A. and its subsidiaries during the year ended 31 December 2021.

Reconciliation of operating expenses and administrative expenses by nature

For the year ended (in $ millions)	31 Dec 2021 Operating expenses	31 Dec 2021 Administrative expenses	31 Dec 2021 Total expenses	31 Dec 2020 Operating expenses	31 Dec 2020 Administrative expenses	31 Dec 2020 Total expenses
Direct project related costs, including procurement	**2,584.0**	**–**	**2,584.0**	1,611.4	–	1,611.4
Employee benefits[(a)]	**996.4**	**127.5**	**1,123.9**	811.8	121.8	933.6
Depreciation, amortisation and mobilisation	**409.5**	**34.3**	**443.8**	403.5	38.9	442.4
Lease expense for short-term leased assets	**520.0**	**0.7**	**520.7**	221.3	1.1	222.4
Lease expense for low-value leased assets	**0.6**	**–**	**0.6**	0.6	–	0.6
Variable lease expense not included within lease liabilities	**1.0**	**–**	**1.0**	2.6	–	2.6
Impairment of intangible assets	**4.8**	**–**	**4.8**	9.2	–	9.2
Impairment of property, plant and equipment	**4.1**	**–**	**4.1**	282.0	–	282.0
Impairment of right-of-use assets	**–**	**0.2**	**0.2**	14.2	17.7	31.9
Impairment reversal of right-of-use assets	**–**	**(3.7)**	**(3.7)**	–	–	–
Net (decrease)/increase in allowances for expected credit losses for financial assets	**(1.4)**	**–**	**(1.4)**	1.0	–	1.0
Net (decrease)/increase in allowances for expected credit losses for construction contract assets	**(0.6)**	**–**	**(0.6)**	2.7	–	2.7
Net credit impairment (credit)/loss for financial assets[(a)]	**(15.7)**	**–**	**(15.7)**	13.2	–	13.2
Other expenses	**211.5**	**69.0**	**280.5**	279.4	61.9	341.3
Total	**4,714.2**	**228.0**	**4,942.2**	3,652.9	241.4	3,894.3

(a) Total restructuring related provisions/credit impairments released during the year amounted to $37.2 million (2020: restructuring charges $85.5 million) with $18.9 million of the restructuring provision release (2020: charge $57.6 million) included in employee benefits. $18.3 million of restructuring related to credit impairments released (2020: $20.8 million charged) was included in net credit impairment (credit)/loss for financial assets.

7. OTHER GAINS AND LOSSES

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Gains/(Losses) on disposal of property, plant and equipment	**3.0**	(0.2)
Gain on maturity of lease liabilities	**0.2**	1.8
Fair value losses on derivative financial instruments mandatorily measured at fair value through profit or loss	**1.9**	(0.6)
Fair value losses on other financial assets measured at fair value through profit or loss	**(1.1)**	(3.0)
Net gain on disposal of subsidiaries	**–**	0.2
Net gains on business combinations post measurement periods	**3.3**	18.3
Net foreign currency exchange gains/(losses)	**37.1**	(34.8)
Total	**44.4**	(18.3)

Net foreign currency exchange gains/(losses) include fair value gains/(losses) on embedded derivatives.

8. FINANCE INCOME AND FINANCE COSTS

For the year ended (in $ millions)	2021 31 Dec	2020 31 Dec
Interest on financial assets measured at amortised cost	**4.7**	4.8
Total finance income	**4.7**	4.8

For the year ended (in $ millions)	2021 31 Dec	2020 31 Dec
Interest and fees on financial liabilities measured at amortised cost	**11.9**	8.9
Total borrowing costs	**11.9**	8.9
Less: amounts capitalised and included in the cost of qualifying assets	**(0.6)**	(4.6)
	11.3	4.3
Interest on lease liabilities	**6.7**	19.7
Interest on tax liabilities	**2.1**	0.6
Total finance costs	**20.1**	24.6

Borrowing costs included in the cost of qualifying assets during the year were calculated by applying to expenditure on such assets an average capitalisation rate of 4.3% dependent on the funding source (2020: 2.1%).

9. TAXATION

Tax recognised in the Consolidated Income Statement

For the year ended (in $ millions)	2021 31 Dec	2020 31 Dec
Tax charged/(credited) in the Consolidated Income Statement		
Current tax:		
Corporation tax on income for the year	**63.4**	48.5
Adjustments in respect of prior years	**1.1**	(0.2)
Total current tax	**64.5**	48.3
Deferred tax credit	**(0.2)**	(15.0)
Total	**64.3**	33.3

Tax recognised in the Consolidated Statement of Comprehensive Income

For the year ended (in $ millions)	2021 31 Dec	2020 31 Dec
Tax charge relating to items recognised directly in comprehensive income		
Current tax on:		
Exchange differences	**0.4**	0.6
Income tax recognised directly in comprehensive income	**0.4**	0.6
Deferred tax on:		
Commodity cash flow hedges	**2.4**	
Remeasurement gains on defined benefit pension schemes	**0.1**	–
Deferred tax recognised directly in comprehensive income	**2.5**	–
Total	**2.9**	0.6

Reconciliation of the total tax charge

Income taxes have been provided for in accordance with IAS 12 'Income Taxes', based on the tax laws and rates in the countries where the Group operates and generates taxable income.

The reconciliation below uses a tax rate of 24.94% (2020: 24.94%) which represents the blended tax rate applicable to Luxembourg entities.

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Income/(loss) before taxes	**100.7**	(1,071.9)
Tax at the blended tax rate of 24.94% (2020: 24.94%)	**25.1**	(267.3)
Effects of:		
Different tax rates of subsidiaries operating in other jurisdictions	**16.8**	18.3
Non-deductible impairments of goodwill	**–**	150.9
Impact of rate changes	**5.8**	–
Non-qualifying depreciation	**2.8**	8.8
Net (benefit)/cost of tonnage tax regimes	**(33.7)**	35.9
Withholding taxes and unrelieved overseas taxes	**24.5**	35.9
Non-deductible expenses and non-taxable income	**2.1**	2.7
Tax effect of share of net loss of associates and joint ventures	**(0.9)**	–
Movement in unprovided deferred tax	**27.1**	51.9
Revisions to uncertain tax treatments	**(0.7)**	(2.7)
Adjustments related to prior years	**(4.6)**	(1.1)
Taxation in the Consolidated Income Statement	**64.3**	33.3

Deferred tax

Movements in the net deferred tax balance were:

(in $ millions)	**2021**	2020
At year beginning	**17.3**	1.2
Charged to:		
Consolidated Income Statement	**0.2**	15.0
Other Comprehensive Income	**(2.5)**	–
Balance sheet reclassifications	**(0.3)**	(3.1)
Exchange differences	**(2.0)**	4.2
At year end	**12.7**	17.3

The deferred tax credit to the Consolidated Income Statement of $0.2 million comprised a credit of $6.0 million from the origination and reversal of temporary differences and a charge of $5.8 million in respect of the expected impact of the increase in the UK tax rate to 25%, effective 1 April 2023.

The main categories of deferred tax assets and liabilities recognised in the Consolidated Balance Sheet, before offset of balances within countries where permitted, were as follows:

At 31 December 2021

(in $ millions)	**Deferred tax asset**	**Deferred tax liability**	**Net recognised deferred tax asset/(liability)**
Property, plant and equipment	**–**	**(38.9)**	**(38.9)**
Accrued expenses	**13.6**	**–**	**13.6**
Share-based payments	**0.7**	**–**	**0.7**
Tax losses	**39.9**	**–**	**39.9**
Other	**–**	**(2.6)**	**(2.6)**
Total	**54.2**	**(41.5)**	**12.7**

9. TAXATION CONTINUED

At 31 December 2020

(in $ millions)	Deferred tax asset	Deferred tax liability	Net recognised deferred tax asset/(liability)
Intangible assets	–	(0.3)	(0.3)
Property, plant and equipment	–	(45.4)	(45.4)
Accrued expenses	9.6	(1.6)	8.0
Share-based payments	0.4	–	0.4
Tax losses	45.7	–	45.7
Other	8.9	–	8.9
Total	64.6	(47.3)	17.3

Deferred tax is analysed in the Consolidated Balance Sheet, after offset of balances within countries, as:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Deferred tax assets	**58.7**	49.5
Deferred tax liabilities	**(46.0)**	(32.2)
Total	**12.7**	17.3

At 31 December 2021, the Group had tax losses of $2,572.6 million (2020: $2,667.2 million) available for offset against future taxable income. A deferred tax asset has been recognised, using the applicable tax rates, in respect of $143.5 million (2020: $182.0 million) of such losses. No deferred tax asset has been recognised in respect of the remaining $2,429.1 million (2020: $2,485.2 million) as it is not considered probable that there will be sufficient future taxable income available for offset in the foreseeable future. In addition, the Group has other unrecognised deferred tax assets of $44.9 million (2020: $45.2 million) in respect of other temporary differences.

No deferred tax has been recognised in respect of taxable temporary differences relating to the unremitted earnings of the Group's subsidiaries and branches where remittance is not contemplated and where the timing of distribution is within the control of the Group. The aggregate amount of unremitted earnings giving rise to such temporary differences for which deferred tax liabilities were not recognised at 31 December 2021 was $235.2 million (2020: $227.3 million).

Tonnage tax regime

The Group has elected to have qualifying vessel-related activities taxed under tonnage tax regimes in the UK, Norway and the Netherlands.

In 2021, net profits from qualifying activities resulted in a positive impact on the Group's tax charge of $33.7 million. In 2020, vessel impairments resulted in net losses on these activities, and a negative impact of $35.9 million.

Net operating losses

Net operating losses (NOLs) to carry forward in various countries will expire as follows:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Within five years	**154.5**	240.6
5 to 10 years	**90.5**	195.9
11 to 20 years	**161.1**	161.1
Without time limit	**2,166.5**	2,069.6
Total	**2,572.6**	2,667.2

Included in the above were $1,422.0 million (2020: $1,476.9 million) of NOLs relating to Luxembourg, which could be subject to future claw-back if certain transactions were entered into.

Uncertain tax treatments

The Group's business operations are carried out worldwide and, as such, the Group is subject to the jurisdiction of a significant number of tax authorities at any point in time.

The Group routinely has to manage tax risks in respect of permanent establishments, transfer pricing and other international tax issues. In common with other multinational companies, the conflict between the Group's global operating model and the jurisdictional approach of tax authorities can lead to uncertainty on tax treatments.

This often results in the Group's filing positions being subject to audit, enquiry and possible re-assessment. During 2021, the Group was subject to audits and disputes in, among others, Australia, Brazil, Saudi Arabia, France, Nigeria, and Mexico. These audits are at various stages of completion. The Group's policy is to co-operate fully with the relevant tax authorities while seeking to defend its tax positions.

The Group provides for the amount of taxes that it considers probable of being payable as a result of such audits and for which a reasonable estimate can be made. Furthermore, for each reporting period management completes a detailed review of uncertain tax treatments across the Group, and makes provisions based on the probability of a liability arising. It is possible that the ultimate resolution of these uncertain treatments could result in tax charges that are materially higher or lower than the amounts provided for.

In the year ended 31 December 2021, the Group recorded a net decrease in its uncertain tax treatments of $6.1 million (2020: $4.5 million net decrease) as a result of revisions to estimated future obligations, and the closure and settlement of certain audits with the relevant tax authorities.

10. DIVIDENDS

A special dividend of NOK 2.00 per share was approved by the shareholders of Subsea 7 S.A. at the Annual General Meeting on 14 April 2021 and recognised in shareholders' equity in April 2021. The total special dividend of $72.0 million was paid on 7 May 2021 to shareholders of Subsea 7 S.A. During the year ended 31 December 2020 no dividends were approved or paid.

11. EARNINGS PER SHARE

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net income/(loss) attributable to shareholders of the parent company by the weighted average number of common shares in issue during the year, excluding shares repurchased by the Group and held as treasury shares (Note 25 'Treasury shares').

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all potentially dilutive common shares. The Group's potentially dilutive common shares include those related to performance shares.

The net income/(loss) attributable to shareholders of the parent company and share data used in the basic and diluted earnings per share calculations were as follows:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Net income/(loss) attributable to shareholders of the parent company	**31.8**	(1,092.8)
Earnings used in the calculation of diluted earnings per share	**31.8**	(1,092.8)

For the year ended	**2021 31 Dec Number of shares**	2020 31 Dec Number of shares
Weighted average number of common shares used in the calculation of basic earnings per share	**297,562,898**	297,651,231
Performance shares	**1,020,873**	–
Weighted average number of common shares used in the calculation of diluted earnings per share	**298,583,771**	297,651,231

For the year ended (in $ per share)	**2021 31 Dec**	2020 31 Dec
Basic earnings per share	**0.11**	(3.67)
Diluted earnings per share	**0.11**	(3.67)

During the year the following shares, that could potentially dilute the earnings per share, were excluded from the calculation of diluted earnings per share due to being anti-dilutive:

For the year ended	**2021 31 Dec Number of shares**	2020 31 Dec Number of shares
Performance shares	**807,361**	1,637,979

12. BUSINESS COMBINATIONS

During 2021, the Group entered into three transactions which qualified as business combinations as follows.

Agreement to combine the Group's fixed offshore wind business with OHT ASA

On 8 July 2021, the Group announced it had entered into an agreement to combine the Group's Renewables business unit (consisting of the Group's fixed offshore wind business) with OHT ASA (renamed Seaway 7 ASA); the transaction was completed on 1 October 2021. The business combination meets the criteria to be treated as a reverse acquisition with the deemed accounting acquirer being the Group's Renewable business unit. Effective 1 October 2021, the Group owns 72% of the combined entity and the shareholders of the former OHT ASA Group own 28% of the combined entity. The business combination resulted in the Group recognising goodwill of $70.0 million at the transaction date.

The former OHT ASA Group specialised in heavy transportation and installation, mainly related to the offshore renewables sector. It was a leading heavy transportation contractor and a new entrant in the offshore energy installation sector. The strategic rationale for the transaction was to strengthen Subsea 7's renewables business with the addition of two new-build vessels under construction, *Seaway Alfa Lift*, an offshore wind foundation installation vessel, and *Seaway Ventus*, an offshore wind turbine installation vessel.

Provisional fair values

The provisional fair values of the acquired identifiable assets and assumed liabilities at 1 October 2021 are shown below. This table includes fair value adjustments recognised in accordance with IFRS 3 'Business Combinations' which reflect conditions existing at the date of the transaction. A downward fair value adjustment of $32.3 million was applied to the acquired net assets of OHT ASA resulting from an onerous fixed-price contract provision existing at the date of the business combination. As a result of supplier delays, the final installation, testing and commissioning of the equipment for the upending and lowering of monopiles resulted in delays to the construction of *Seaway Alfa Lift.* The use of an alternative vessel has resulted in the recognition of an onerous fixed-price contract provision.

12. BUSINESS COMBINATIONS CONTINUED

Stamp duty and other expenses incurred in connection with the acquisition have been accounted for separately and recorded within administrative expenses in the Group's Consolidated Income Statement.

(in $ millions)	At 1 October 2021
Assets	
Property, plant and equipment	**291.7**
Right-of-use assets	**3.0**
Inventories	**4.6**
Trade and other receivables	**10.3**
Construction contracts – assets	**8.9**
Cash and cash equivalents	**12.1**
	330.6
Liabilities	
Trade and other liabilities	**3.6**
Derivative financial instruments	**1.0**
Borrowings	**37.0**
Lease liabilities	**3.3**
Construction contracts – liabilities	**46.3**
Provisions	**32.3**
	123.5
Identifiable net assets at fair value	**207.1**
Goodwill arising on acquisition	**70.0**
	277.1
Consideration comprised	
Non-controlling interest contributed by the Group as part of the business combination	**199.5**
Non-controlling interest of acquired entities at fair value	**77.6**
Total consideration	**277.1**

Goodwill

Management has recognised goodwill in accordance with the criteria within IFRS 3 'Business Combinations'. Aggregate goodwill of $70.0 million comprised the value of intangible assets which did not meet the criteria for separate recognition, including the assembled workforce and complementary service capabilities.

The following estimates and judgements were used by management to calculate goodwill:

Consideration

Consideration of $277.1 million, which represents the fair value of the total transaction, was calculated using a price per share for OHT ASA (renamed Seaway 7 ASA on 1 October 2021) agreed between both parties, which was representative of the share price on the date of the combination, multiplied by the number of shares outstanding immediately prior to the business combination, with adjustments for outstanding share warrants. The business combination was a non-cash share only transaction and the consideration at the date of completion reflected an increase of approximately $38.0 million in the market capitalisation of OHT ASA between 8 July 2021, the date of announcement of the business combination, and 1 October 2021, the date of completion.

Fair value of acquired assets and assumed liabilities

Property, plant and equipment:

- Heavy transportation vessels – OHT ASA operated a fleet of owned vessels which at the date of the business combination had an aggregate carrying amount of $122.6 million. Management obtained independent market value assessments for these vessels and as a result the fair value of the vessels was considered to be $129.2 million, which was within the range of the market value assessments.
- Assets under construction – *Seaway Alfa Lift* and *Seaway Ventus* (formerly named *Vind 1*) were part-completed new-build vessels at the date of the business combination with an aggregate carrying amount of $152.9 million. The fair valuation of part-build assets requires significant judgements, including an assessment of the forecast full costs at completion of the assets. Independent market value assessments were not readily available for these vessels. Management considers that a fair value for these assets of $161.3 million at the date of the business combination was appropriate. The $8.4 million uplift, compared to the historical carrying amounts, represents management's judgement of the additional fair value of these part-completed assets when considering the underlying strategic rationale for the business combination and the additional opportunities that the acquisition of these vessels will offer the Group.

Trade and other receivables

Trade and other receivables are shown at fair value and represent the gross contractual amounts receivable.

Provisions

Management recognised a downward fair value adjustment of $32.3 million resulting from an onerous fixed-price contract provision existing at the date of the business combination.

The full amount of goodwill was allocated to the Group's Renewables cash-generating unit and is not expected to be deductible for tax purposes. As described in Note 13 'Goodwill' management performed an impairment review of the carrying amount of goodwill. No impairment indicators were identified.

Financial performance

The financial performance, from the date of combination to 31 December 2021, was $32.2 million of revenue and $0.7 million of net income. If the combination had taken place at the beginning of the year, 2021 Group revenue and income before tax would have been $5,056.9 million and $93.9 million respectively.

Acquisition of Ocean Geo Solutions Inc.

On 29 July 2021, an indirect subsidiary of Subsea 7 S.A. acquired the entire share capital of Ocean Geo Solutions Inc. Cash consideration paid for the shares was $1.0 million with associated contingent consideration of $1.0 million. The transaction resulted in the recognition of a provisional amount of goodwill of $1.3 million.

Ocean Geo Solutions Inc. provides geotechnical and geophysical analysis to its client base across the energy industry in the United States. The strategic rationale for the transaction was to expand the Group's worldwide capability for this analysis across both the Subsea and Conventional and Renewables business units.

Acquisition of a 59.12% shareholding of Nautilus Floating Solutions, S.L.

On 22 September 2021, an indirect subsidiary of Subsea 7 S.A. acquired a 59.12% shareholding of Nautilus Floating Solutions, S.L. Cash consideration paid for the shares was $7.0 million. The transaction resulted in the recognition of a provisional amount of goodwill of $5.3 million and non-controlling interest of $1.2 million.

Nautilus Floating Solutions, S.L. is a technology development company researching the design and licence of floating foundations for the offshore wind market. The strategy rationale for the transaction was to enhance the Group's presence in the floating foundations offshore wind market, supporting research and development initiatives and technology prototypes.

Aggregate provisional fair values

The acquisitions of the Group's interests in Ocean Geo Solutions Inc. and Nautilus Floating Solutions, S.L. are not material to the Group. Management has presented aggregated provisional fair values of the acquired identifiable assets and liabilities. This table includes fair value adjustments recognised in accordance with IFRS 3 'Business Combinations' which reflect conditions existing at the date of the transaction. Stamp duty and other expenses incurred in connection with the acquisitions have been accounted for separately and recorded within administrative expenses in the Group's Consolidated Income Statement.

(in $ millions)	At acquisition date
Assets	
Intangible assets	**2.3**
Trade and other receivables	**1.4**
Cash and cash equivalents	**0.5**
	4.2
Liabilities	
Trade and other liabilities	**0.1**
Borrowings	**0.5**
	0.6
Identifiable net assets at fair value	**3.6**
Goodwill arising on acquisition	**6.6**
	10.2
Consideration comprised	
Cash consideration:	
Cash paid	**8.0**
Contingent consideration	**1.0**
Non-controlling interests	**1.2**
Total consideration	**10.2**

Goodwill

Aggregate goodwill of $6.6 million comprised the value of intangible assets which did not meet the criteria for separate recognition, including the assembled workforce and complementary service capabilities. Goodwill of $1.3 million was allocated to the Xodus cash-generating unit (CGU) and $5.3 million was allocated to the Nautilus CGU; neither amount is expected to be deductible for tax purposes.

12. BUSINESS COMBINATIONS CONTINUED

Contingent consideration

The sale and purchase agreement included contingent consideration. Additional cash payments to previous owners may be payable should specific targets be met in future periods. At the acquisition dates and at 31 December 2021 the fair value of contingent consideration was estimated to be $1.0 million. Fair value was determined using management assumptions based on forecast activity levels. A significant increase or decrease in forecast activity levels would result in a higher or lower fair value of the provision for contingent consideration. The range of potential outcomes is estimated to be between $nil and $1.0 million payable between 2022 and 2024.

Trade and other receivables

Trade and other receivables are shown at fair value and represent the gross contractual amounts receivable.

Financial performance

The aggregated financial performance of both acquisitions, from the individual applicable dates of each acquisition to 31 December 2021, was $0.5 million of revenue and $0.2 million of loss before tax. If the combinations had taken place at the beginning of the year, 2021 Group revenue and income before tax would have been $5,010.6 million and $100.5 million respectively.

13. GOODWILL

(in $ millions)	Total
Cost	
At 1 January 2020	2,395.5
Adjustment to identifiable net assets at fair value subsequent to initial recognition	0.1
Exchange differences	44.7
At 31 December 2020	2,440.3
Additions	76.6
Exchange differences	(7.8)
At 31 December 2021	**2,509.1**
Accumulated impairment	
At 1 January 2020	1,690.9
Impairment charges	605.4
Exchange differences	59.5
At 31 December 2020	2,355.8
Exchange differences	(7.2)
At 31 December 2021	**2,348.6**
Carrying amount	
At 31 December 2020	84.5
At 31 December 2021	**160.5**

On 8 July 2021, the Group announced it had entered into an agreement to combine the Group's Renewables business unit (consisting of the Group's fixed offshore wind business) with OHT ASA; the transaction was completed on 1 October 2021. The combination resulted in the recognition of goodwill of $70.0 million on Subsea 7's Consolidated Balance Sheet at the date of the transaction, allocated to the Renewables cash-generating unit (CGU).

On 29 July 2021, an indirect subsidiary of Subsea 7 S.A. acquired the entire share capital of Ocean Geo Solutions Inc. The transaction resulted in the recognition of a provisional amount of goodwill of $1.3 million, allocated to the Xodus CGU.

On 22 September 2021, an indirect subsidiary of Subsea 7 S.A. acquired a 59.12% shareholding of Nautilus Floating Solutions, S.L. The transaction resulted in the recognition of a provisional amount of goodwill of $5.3 million, allocated to the Nautilus CGU.

For financial management and reporting purposes, the Group is organised into management regions. Management regions are aligned with the Group's business units which are used by the Chief Operating Decision Maker (CODM) to allocate resources and appraise performance.

The Group has ten CGUs which are aligned with management regions. At 31 December 2021 the Group's CGUs comprised:

- CGUs for Africa Middle East and Caspian, Asia Pacific, Brazil, Gulf of Mexico, Norway and UK and GIRM (Global Inspection Repair and Maintenance) which include activities connected with the performance of regional projects including SURF activities (related to the engineering, procurement, construction and installation of offshore systems), Conventional services (including the fabrication, installation, extension and refurbishment of platforms and pipelines in shallow water), the long-term PLSV contracts in Brazil, activities connected with the provision of inspection, repair and maintenance services, integrity management of subsea infrastructure and remote intervention support;
- Nautilus CGU which includes activities related to floating wind solutions;
- Xodus CGU which includes activities related to engineering services, advisory services and environmental support;
- 4Subsea CGU which includes activities connected with integrity management of subsea infrastructure; and
- Renewables CGU which includes activities connected with three specialist segments of the fixed offshore wind market: the installation of offshore wind turbine foundations and inner-array cables, heavy lifting and heavy transportation operations related to the renewables sector, and the decommissioning of redundant offshore structures.

The Group performed its annual goodwill impairment review at 31 December 2021. Subsequent to this review the carrying amounts of the goodwill were allocated to the following CGUs:

At (in $ millions)	2021 31 Dec
Nautilus	**5.3**
Norway	**9.5**
Renewables	**70.0**
UK GIRM	**40.7**
Xodus	**16.1**
4Subsea	**18.9**
Total	**160.5**

At 31 December 2021 there was no goodwill associated with the Africa Middle East and Caspian, Asia Pacific, Brazil and Gulf of Mexico CGUs.

The recoverable amounts of the CGUs were determined based on a value-in-use calculation using pre-tax, risk adjusted cash flow projections approved by the Executive Management Team covering a five-year period from 2022 to 2026. These projections included certain considerations for climate change related risks and opportunities on the period. Cash flows beyond this five-year period were extrapolated in perpetuity using a 2.0% (2020: 2.0%) growth rate to determine the terminal value. The pre-tax discount rate applied to the risk adjusted cash flow projections was 10.6% (2020: 10.8%).

Key assumptions used in value-in-use calculations

Management considers that the calculations of value-in-use for all CGUs are most sensitive to the following key assumptions:

- EBITDA forecasts;
- the pre-tax discount rate; and
- the growth rate used to extrapolate cash flows.

EBITDA forecast – The EBITDA forecast for each CGU is dependent on a combination of factors including market size, market share, contractual backlog, gross margins, future project awards, asset utilisation and an assessment of the impacts of competition within the respective segments. Assumptions are based on a combination of internal and external studies, management judgements and historical information, adjusted for any foreseen changes in market conditions.

Pre-tax discount rate – The pre-tax discount rate was estimated based on the weighted average cost of capital of the Group, amended to reflect a normalised capital structure for the energy sector. Risk premiums were not applied to the discount rate applied to individual CGUs as the CGU cash flow projections were risk adjusted.

Growth rate estimates – The 2.0% (2020: 2.0%) growth rate used to extrapolate the cash flow projections beyond the five-year period is broadly consistent with market expectations for long-term growth in the industry and assumes no significant change in the Group's market share and the range of services and products provided.

Sensitivity to changes in key assumptions

In determining the value-in-use recoverable amount for each CGU, sensitivities have been applied to key assumptions. The industry in which the Group operates is cyclical and highly dependent on energy prices; this could lead to changes in future cash flows which are greater than the sensitivity ranges applied.

In the performance of sensitivity analysis the impacts of the following changes to key assumptions were assessed:

- an increase in the pre-tax discount rate by 1 percentage point;
- a decrease in the pre-tax discount rate by 1 percentage point;
- an increase in the long-term growth rate by 1 percentage point;
- a decrease in the long-term growth rate by 1 percentage point;
- a 10% increase in the forecast EBITDA assumptions during the five-year period from 2022 to 2026, and the EBITDA upon which terminal values have been calculated; and
- a 10% decrease in the forecast EBITDA assumptions during the five-year period from 2022 to 2026, and the EBITDA upon which terminal values have been calculated.

CGUs not impaired and not sensitive to impairment

Changes to any of the key assumptions used in the sensitivity analysis would not, in isolation, cause the recoverable amount of the Norway, Renewables, UK GIRM, Xodus, Nautilus and 4Subsea CGUs to be materially less than their carrying amount.

The Africa Middle East and Caspian, Asia Pacific, Brazil and Gulf of Mexico CGUs have no goodwill, therefore any future changes in the key assumptions, in isolation, would not result in an impairment charge being recognised against goodwill.

14. INTANGIBLE ASSETS

(in $ millions)	Software	Customer contracts (backlog)	Other intangibles	Total
Cost				
At 1 January 2020	47.4	30.5	83.3	161.2
Additions	2.0	–	24.0	26.0
Disposals	(4.4)	–	(0.3)	(4.7)
Exchange differences	1.1	–	2.5	3.6
At 31 December 2020	46.1	30.5	109.5	186.1
Acquisition of businesses	–	–	2.3	2.3
Additions	8.4	–	0.1	8.5
Disposals	(10.4)	(30.5)	(34.1)	(75.0)
Exchange differences	(0.2)	–	0.3	0.1
At 31 December 2021	**43.9**	**–**	**78.1**	**122.0**
Accumulated amortisation and impairment				
At 1 January 2020	30.2	30.5	57.7	118.4
Charge for the year	3.4	–	11.3	14.7
Impairments	–	–	9.2	9.2
Eliminated on disposal	(3.9)	–	(0.3)	(4.2)
Exchange differences	0.8	–	1.2	2.0
At 31 December 2020	30.5	30.5	79.1	140.1
Charge for the year	3.6	–	11.1	14.7
Impairments	–	–	4.8	4.8
Eliminated on disposal	(10.2)	(30.5)	(34.1)	(74.8)
Exchange differences	–	–	(0.1)	(0.1)
At 31 December 2021	**23.9**	**–**	**60.8**	**84.7**
Carrying amount:				
At 31 December 2020	15.6	–	30.4	46.0
At 31 December 2021	**20.0**	**–**	**17.3**	**37.3**

The table above includes assets under construction of $6.1 million (2020: $15.8 million). Other intangible assets includes capitalised expenditure related to the Group's digitalisation programme.

An impairment test was performed on the balances at 31 December 2021 and impairment charges of $4.8 million (2020: $9.2 million) were recognised. The impairment charges were mainly related to technology assets where future economic benefit is considered to be uncertain. The charges were recognised in the Consolidated Income Statement within operating expenses in the Corporate business unit.

15. PROPERTY, PLANT AND EQUIPMENT

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2020	5,874.2	1,020.3	523.0	70.5	7,488.0
Additions	156.7	17.4	2.8	–	176.9
Exchange differences	18.6	13.1	(5.5)	(2.3)	23.9
Transfers	7.2	(4.5)	–	(2.7)	–
Disposals	(78.7)	(28.8)	(1.7)	(15.1)	(124.3)
At 31 December 2020	5,978.0	1,017.5	518.6	50.4	7,564.5
Acquisition of businesses	290.5	–	–	1.2	291.7
Additions	105.2	28.9	10.3	13.5	157.9
Exchange differences	(0.8)	(1.3)	(5.8)	(0.8)	(8.7)
Transfers	(0.7)	0.3	4.0	(3.6)	–
Disposals	(374.2)	(28.1)	(4.0)	(2.7)	(409.0)
At 31 December 2021	**5,998.0**	**1,017.3**	**523.1**	**58.0**	**7,596.4**
Accumulated depreciation and impairment					
At 1 January 2020	2,002.5	750.0	256.1	57.1	3,065.7
Charge for the year	255.0	50.6	22.7	6.6	334.9
Impairments	249.3	13.4	19.3	–	282.0
Exchange differences	7.5	11.0	(1.2)	(0.2)	17.1
Eliminated on disposals	(77.5)	(23.9)	(1.6)	(14.8)	(117.8)
At 31 December 2020	2,436.8	801.1	295.3	48.7	3,581.9
Charge for the year	263.2	49.0	21.9	7.0	341.1
Impairments	–	–	4.1	–	4.1
Exchange differences	(1.7)	(0.8)	(2.9)	(0.7)	(6.1)
Transfers	2.4	–	–	(2.4)	–
Eliminated on disposals	(371.0)	(28.0)	(4.0)	(2.6)	(405.6)
At 31 December 2021	**2,329.7**	**821.3**	**314.4**	**50.0**	**3,515.4**
Carrying amount:					
At 31 December 2020	3,541.2	216.4	223.3	1.7	3,982.6
At 31 December 2021	**3,668.3**	**196.0**	**208.7**	**8.0**	**4,081.0**

The table above includes assets under construction of $285.4 million at 31 December 2021 (2020: $85.7 million).

An impairment test was performed on the balances of property, plant and equipment at 31 December 2021 and impairment charges totalling $4.1 million (2020: $282.0 million) were recognised where the future recoverable amounts were reassessed and reduced. The charges were recognised in the Consolidated Income Statement within operating expenses. Recoverable amount is defined as the higher of value-in-use and fair value less costs of disposal and was determined by management based on recent similar market transactions, an assessment of internal estimates and independent external valuations.

16. RIGHT-OF-USE ASSETS

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2020	283.4	6.2	120.4	2.7	412.7
Additions	38.2	0.2	13.4	0.6	52.4
Exchange differences	4.9	0.1	3.4	–	8.4
Remeasurement	(9.0)	–	(0.1)	–	(9.1)
Disposals	(60.3)	(4.3)	(5.0)	(0.4)	(70.0)
At 31 December 2020	257.2	2.2	132.1	2.9	394.4
Acquisition of businesses	–	–	3.0	–	3.0
Additions	30.3	8.6	15.3	0.6	54.8
Exchange differences	(1.2)	(0.7)	(4.6)	(0.1)	(6.6)
Remeasurement	(2.5)	–	3.0	–	0.5
Disposals	–	(0.9)	(10.2)	(0.4)	(11.5)
At 31 December 2021	**283.8**	**9.2**	**138.6**	**3.0**	**434.6**
Accumulated amortisation and impairment					
At 1 January 2020	59.1	2.7	22.3	0.8	84.9
Charge for the year	54.2	2.7	24.3	0.9	82.1
Impairments	12.2	0.4	19.3	–	31.9
Exchange differences	10.0	(0.1)	1.4	–	11.3
Remeasurement	4.0	–	2.4	–	6.4
Eliminated on disposals	(26.2)	(4.3)	(4.6)	(0.4)	(35.5)
At 31 December 2020	113.3	1.4	65.1	1.3	181.1
Charge for the year	53.7	4.7	19.3	0.8	78.5
Impairments	–	–	0.2	–	0.2
Impairment reversals	–	–	(3.7)	–	(3.7)
Exchange differences	(5.2)	(0.3)	(4.7)	–	(10.2)
Remeasurement	(4.4)	–	(1.8)	–	(6.2)
Eliminated on disposals	–	(0.9)	(10.2)	(0.4)	(11.5)
At 31 December 2021	**157.4**	**4.9**	**64.2**	**1.7**	**228.2**
Carrying amount:					
At 31 December 2020	143.9	0.8	67.0	1.6	213.3
At 31 December 2021	**126.4**	**4.3**	**74.4**	**1.3**	**206.4**

The Group leases vessels, operating equipment and properties with contracts which are typically for fixed periods but may have extension options used to maximise operational flexibility. The majority of extension and termination options held are exercisable only by the Group not the respective lessors. Lease liabilities are disclosed within Note 28 ‘Lease liabilities’. Commitments to leases which have not yet commenced are disclosed within Note 32 ‘Commitments and contingent liabilities’.

An impairment test was performed on the balances at 31 December 2021 and impairment charges totalling $0.2 million (2020: $31.9 million) were recognised. In addition impairment reversals totalling $3.7 million were recognised (2020: $nil).

17. INTERESTS IN ASSOCIATES AND JOINT ARRANGEMENTS

Interests in associates and joint ventures

At 31 December 2021 the Group had interests in 11 joint ventures. The Group's ownership interests in joint ventures were as follows:

	Year end	Country of registration	Operating segment	Classification	Subsea 7 ownership %
Astori Sp. z.o.o.	31 December	Poland	Subsea and Conventional	Joint Venture	49
Belmet 7 Limited	31 December	Ghana	Subsea and Conventional	Joint Venture	49
Eidesvik Seven AS	31 December	Norway	Subsea and Conventional	Joint Venture	50
Eidesvik Seven Chartering AS	31 December	Norway	Subsea and Conventional	Joint Venture	50
ENMAR S.A.	31 December	Mozambique	Subsea and Conventional	Joint Venture	51
GO FZE	31 December	Nigeria	Subsea and Conventional	Joint Venture	40
Global Ocean Engineers Nigeria Limited	31 December	Nigeria	Subsea and Conventional	Joint Venture	40
SapuraAcergy Assets Pte Ltd[(a)]	31 January	Malaysia	Subsea and Conventional	Joint Venture	51
SapuraAcergy Sdn Bhd[(a)]	31 January	Malaysia	Subsea and Conventional	Joint Venture	50
Subsea Integration Alliance LLC	31 December	US	Subsea and Conventional	Joint Venture	50
Subsea 7 Malaysia Sdn Bhd	31 December	Malaysia	Subsea and Conventional	Joint Venture	30

(a) The Group has 50% equity ownership of SapuraAcergy Sdn. Bhd and 51% equity ownership in SapuraAcergy Assets Pte Ltd, however, 1% is subject to a put and call option for the benefit of its joint venture partner.

For all entities the principal place of business is consistent with the country of registration. For the majority of entities the proportion of voting rights is consistent with the proportion of ownership interest, however in some cases some specific matters require unanimous approval of all shareholders.

All interests in joint ventures are accounted for using the equity method. Financial information, using consistent accounting policies, for the year ended 31 December 2021 is used for all entities. The movement in the balance of investments in joint ventures was as follows:

(in $ millions)	**2021**	2020
At year beginning	**29.5**	26.2
Share of net income/(loss) of associates and joint ventures	**3.9**	(0.5)
Investment in joint ventures	**–**	0.6
Derecognition of investments in joint ventures	**–**	(1.8)
Net reclassification of investment balances	**(4.5)**	4.4
Exchange differences	**(0.3)**	0.6
At year end	**28.6**	29.5

Net reclassification of investment balances

This amount relates primarily to reclassification within the Group's balance sheet of negative investment balances to other non-current liabilities.

Summarised financial information

At 31 December 2021 none of the Group's investments in joint ventures were individually material to the Group therefore summarised financial information has not been provided.

Interests in joint arrangements

The Group executes contracts on a regular basis through unstructured joint operations governed by alliance or consortium agreements. These agreements provide for joint and several liability for the parties involved. The material joint operations of the Group are detailed below.

The Group participates in Subsea Integration Alliance (SIA), through unincorporated strategic global operations between Subsea 7 and OneSubsea®, the subsea technologies, production and processing systems division of Schlumberger. As part of the alliance, Subsea 7 and OneSubsea® agree terms and conditions on a project-by-project basis; this governs the relationship between the entities executing contracts with clients. SIA operates globally and provides clients with subsea technologies, production and processing systems, bringing together field development planning, project delivery and total lifecycle solutions under an extensive technology and services portfolio. Contracts with clients are entered into by individual entities of the Subsea 7 and OneSubsea® groups, with all activities executed on a joint and several basis.

Saudi Arabian Oil Company awarded a long-term frame agreement to a consortium consisting of Subsea 7 and L&T Hydrocarbon Engineering. This unincorporated consortium is governed by a consortium agreement, and Subsea 7 and L&T Hydrocarbon Engineering are jointly and severally liable to Saudi Arabian Oil Company for the various call-off work orders awarded to the consortium via the long-term frame agreement. The consortium's activities include project management, engineering, procurement, fabrication, transportation and installation of offshore facilities and infrastructure. The principal place of business of the unincorporated consortium is the Kingdom of Saudi Arabia.

18. ADVANCES AND RECEIVABLES

At (in $ millions)	2021 31 Dec	2020 31 Dec
Non-current amounts due from associates and joint ventures	**38.6**	7.3
Allowance for credit impairment	**(1.6)**	(1.6)
	37.0	5.7
Capitalised fees for long-term loan facilities	**5.3**	1.4
Deposits held by third parties	**1.0**	1.1
Other receivables	**14.1**	14.8
Total	**57.4**	23.0

19. INVENTORIES

At (in $ millions)	2021 31 Dec	2020 31 Dec
Materials and non-critical spares	**10.4**	14.6
Consumables	**29.9**	11.8
Total	**40.3**	26.4

For the year ended (in $ millions)	2021 31 Dec	2020 31 Dec
Total cost of inventory charged to the Consolidated Income Statement	**114.5**	53.7
Write-down of inventories charged to the Consolidated Income Statement	**0.5**	0.9
Provision for obsolescence charged/(reversal of provision for obsolescence credited) to the Consolidated Income Statement	**2.4**	(0.1)

At 31 December 2021 inventories included a provision for obsolescence of $6.5 million (2020: $7.8 million). There were no inventories pledged as security.

20. TRADE AND OTHER RECEIVABLES

At (in $ millions)	2021 31 Dec	2020 31 Dec
Trade receivables	**519.2**	523.7
Allowance for expected credit losses	**(2.2)**	(2.7)
Allowance for credit impairment	**(3.9)**	(23.3)
	513.1	497.7
Current amounts due from associates and joint ventures	**4.4**	9.2
Allowance for credit impairment	**(1.9)**	(1.9)
	2.5	7.3
Other receivables	**20.5**	25.8
Advances to suppliers	**39.0**	6.3
Other taxes receivable	**80.8**	53.6
Total	**655.9**	590.7

Details of how the Group manages its credit risk and further analysis of the trade receivables balance, allowances for expected credit losses and allowances for credit impairment are shown in Note 33 ‘Financial instruments’.

Other receivables include insurance receivables, customer retentions and deposits.

Other taxes receivable include value added tax, sales tax, withholding tax, social security tax and other indirect taxes.

21. OTHER ACCRUED INCOME AND PREPAID EXPENSES

At (in $ millions)	2021 31 Dec	2020 31 Dec
Unbilled revenue	**88.1**	78.4
Allowance for expected credit losses	**(0.4)**	(1.3)
	87.7	77.1
Prepaid expenses	**116.8**	120.5
Total	**204.5**	197.6

Unbilled revenue relates to work completed on day-rate contracts, which had not been billed to clients at the balance sheet date. There were no contract liability balances which relate to this category of contract revenue. Revenue of $6.0 million (2020: $1.2 million) was recognised in the year relating to performance obligations satisfied in previous periods. The increase in the balance during the year was due to increased activity in the UK, partly offset by reduced activity in the Gulf of Mexico.

Prepaid expenses arise in the normal course of business and represent expenditure which has been deferred and which will be recognised in the Consolidated Income Statement within 12 months of the balance sheet date.

The movement in the allowance for expected credit losses in respect of unbilled revenue during the year was as follows:

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Allowance for expected credit losses		
At year beginning	**(1.3)**	(0.3)
Decrease/(increase) in allowance recognised in profit or loss	**0.9**	(1.0)
At year end	**(0.4)**	(1.3)

Details of how the Group manages its credit risk are shown in Note 33 'Financial instruments'.

At 31 December 2021 the allowance for credit impairment in respect of unbilled revenue was $nil (2020: $nil).

22. CONSTRUCTION CONTRACTS

(in $ millions)	**Construction contracts – assets**	**Construction contracts – liabilities**
At 31 December 2021		
Current	**791.4**	**(205.7)**
Allowance for expected credit losses	**(3.2)**	**–**
	788.2	**(205.7)**
Non-current	**4.4**	**–**
Total	**792.6**	**(205.7)**

(in $ millions)	Construction contracts – assets	Construction contracts – liabilities
At 31 December 2020		
Current	474.4	(279.5)
Allowance for expected credit losses	(3.8)	–
	470.6	(279.5)
Non-current	6.7	–
Total	477.3	(279.5)

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Revenue recognised which was included in construction contract liabilities at beginning of year	**267.9**	159.6
Revenue recognised from performance obligations satisfied in previous periods	**69.1**	52.4

Revenue recognised which was included in construction contract liabilities at the beginning of the year of $267.9 million (2020: $159.6 million) represents amounts included within the construction contract liabilities balance at 1 January 2021 which have been recognised as revenue during the year. Revenue recognised from performance obligations satisfied in previous periods of $69.1 million (2020: $52.4 million) represents revenue recognised in the Consolidated Income Statement for projects which were considered operationally complete at the prior year end.

Significant movements in the construction contract asset and construction contract liability balances

The Group has construction contract asset and construction contract liability balances as a result of long-term projects in the Subsea and Conventional and Renewables business units. Details of the Group's treatment of performance obligations are disclosed in Note 3 'Significant accounting policies'. Due to the number and size of projects within the Group, construction contract asset and liability balances can vary significantly at each reporting date. Cumulative adjustments to revenue are most commonly caused by a change to the estimate of the transaction price due to a reassessment of the constraint to variable consideration, awarded variation orders, scope changes or amendments to the cost profile.

The $315.3 million increase in construction contract assets during 2021 was driven by an increase in activity in the Subsea and Conventional, primarily in the Gulf of Mexico and Brazil, and Renewables business units.

22. CONSTRUCTION CONTRACTS CONTINUED

Construction contract assets

An analysis of the ageing of construction contract assets at the balance sheet date has not been provided. Due to the nature of the balances and the fact that the Group invoices on a milestone basis, the ageing of construction contract assets is not reflective of the credit risk associated with these balances.

The movement in the allowance for expected credit losses in respect of net construction contract assets during the year was as follows:

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Allowance for expected credit losses		
At year beginning	**(3.8)**	(1.1)
Decrease/(increase) in allowance recognised in profit or loss	**0.6**	(2.7)
At year end	**(3.2)**	(3.8)

The allowance for expected credit losses decreased during the year due to fluctuations in the mix of customers, the size of receivables due and the default probability.

At 31 December 2021 the allowance for credit impairment recognised in connection with construction contract assets was $nil (2020: $nil).

Transaction price allocated to the remaining performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) was as follows:

At 31 December 2021

	Expected year of execution				
(in $ millions)	**2022**	**2023**	**2024**	**2025 and beyond**	**Total**
Subsea and Conventional	**3,404.6**	**1,813.7**	**614.7**	**127.9**	**5,960.9**
Renewables	**882.0**	**168.9**	**186.4**	**0.4**	**1,237.7**
Corporate	**13.1**	**–**	**–**	**–**	**13.1**
Total	**4,299.7**	**1,982.6**	**801.1**	**128.3**	**7,211.7**

At 31 December 2020

	Expected year of execution				
(in $ millions)	2021 Re-presented[(a)]	2022 Re-presented[(a)]	2023 Re-presented[(a)]	2024 and beyond Re-presented[(a)]	Total Re-presented[(a)]
Subsea and Conventional	2,826.8	913.3	356.7	116.4	4,213.2
Renewables	1,258.4	643.6	84.2	0.4	1,986.6
Corporate	14.4	–	–	–	14.4
Total	4,099.6	1,556.9	440.9	116.8	6,214.2

(a) Re-presented due to new organisational structure implemented from 1 January 2021.

The estimate of the transaction price does not include any amounts of variable consideration which are constrained.

23. CASH AND CASH EQUIVALENTS

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Cash and cash equivalents	**597.6**	511.6

Cash and cash equivalents included amounts totalling $44.5 million (2020: $31.4 million) held by Group undertakings in certain countries whose exchange controls may significantly restrict or delay the remittance of these amounts to jurisdictions outside of that country.

24. ISSUED SHARE CAPITAL

Authorised shares

	2021 31 Dec Number of shares	**2021 31 Dec in $ millions**	2020 31 Dec Number of shares	2020 31 Dec in $ millions
Authorised common shares, $2.00 par value	**450,000,000**	**900.0**	450,000,000	900.0

Issued shares

	2021 31 Dec Number of shares	**2021 31 Dec in $ millions**	2020 31 Dec Number of shares	2020 31 Dec in $ millions
Fully paid and issued common shares	**300,000,000**	**600.0**	300,000,000	600.0
The issued common shares consist of:				
Common shares excluding treasury shares	**295,465,893**	**590.9**	297,673,317	595.3
Treasury shares at par value (Note 25)	**4,534,107**	**9.1**	2,326,683	4.7
Total	**300,000,000**	**600.0**	300,000,000	600.0

25. TREASURY SHARES

Share repurchase programme

On 24 July 2019, the Board of Directors authorised a new share repurchase programme of up to $200 million, to be executed over two years. The programme was approved pursuant to the authorisation granted to the Board of Directors at the Extraordinary General Meeting held on 17 April 2019, which allows for the purchase of up to a maximum of 10% of the Group's issued share capital, net of purchases already made. On 15 April 2021, the Board of Directors authorised a 24-month extension to the Group's share repurchase programme in accordance with the authority granted to the Board of Directors at the Extraordinary General Meeting held on 14 April 2021.

During 2021, the Group repurchased 2,724,172 (2020: 1,627,968) shares for a total consideration of $21.0 million (2020: $9.8 million). At 31 December 2021, the cumulative number of shares repurchased under this programme was 4,352,140 for a total consideration of $30.8 million.

All repurchases were made in the open market on the Oslo Børs, pursuant to certain conditions, and were in conformity with Article 49-2 of Luxembourg Company Law and EU Commission Regulation 2273/2003 on exemptions for repurchase programmes and stabilisation of financial instruments. At 31 December 2021 the remaining repurchased shares, which had not been reallocated relating to share-based payments, were held as treasury shares.

Summary

At 31 December 2021 Subsea 7 S.A. held 4,534,107 treasury shares (2020: 2,326,683), which amounted to 1.51% (2020: 0.78%) of the total number of issued shares.

	2021 Number of shares	**2021 in $ millions**	2020 Number of shares	2020 in $ millions
At year beginning	**2,326,683**	**17.8**	1,212,860	14.0
Shares repurchased	**2,724,172**	**21.0**	1,627,968	9.8
Shares reallocated relating to share-based payments	**(516,748)**	**(5.9)**	(514,145)	(6.0)
Balance at year end	**4,534,107**	**32.9**	2,326,683	17.8

26. NON-CONTROLLING INTERESTS

At 31 December 2021 the Group's respective ownership interests in subsidiaries which are non-wholly-owned were as follows:

	Year end	Country of registration	Subsea 7 ownership %
Globestar Engineering Company (Nigeria) Limited	31 December	Nigeria	98.8
Nautilus Floating Solutions S.L.	31 December	Spain	59.1
Naviera Subsea 7 S. de R.L. de C.V.	31 December	Mexico	49.0
Nigerstar 7 FZE	31 December	Nigeria	49.0
Nigerstar 7 Limited	31 December	Nigeria	49.0
PT Subsea 7 Indonesia	31 December	Indonesia	94.9
Seaway 7 ASA	31 December	Norway	72.0
Servicios Subsea 7 S. de R.L. de C.V.	31 December	Mexico	52.0
Sonacergy – Serviços E Construções Petrolíferas Lda.	31 December	Portugal	55.0
Sonamet Industrial S.A.	31 December	Angola	55.0
Subsea Seven Doha Oil and Gas Services and Trading LLC	31 December	Qatar	49.0
Subsea 7 Equatorial Guinea S.A.	31 December	Equatorial Guinea	65.0
Subsea 7 Volta Contractors Limited	31 December	Ghana	49.0

For all entities, the principal place of business is consistent with the country of registration. Financial information for the year ended 31 December 2021 has been used for all entities.

The movement in the equity attributable to non-controlling interests was as follows:

(in $ millions)	**2021**	2020
At year beginning	**27.3**	34.3
Share of net income/(loss) for the year	**4.6**	(12.4)
Acquisition of businesses	**278.3**	–
Dividends declared	**–**	(1.1)
Reclassification of non-controlling interests to equity attributable to shareholders of Subsea 7 S.A.	**–**	5.3
Reclassification of cumulative exchange differences from equity attributable to shareholders of Subsea 7 S.A. to non-controlling interests	**(2.9)**	–
Exchange differences	**(1.9)**	1.2
At year end	**305.4**	27.3

Additions

During the year the Group acquired ownership interests in two non-wholly-owned entities, Nautilus Floating Solutions, S.L and Seaway 7 ASA. Further details are disclosed in Note 12 'Business combinations'.

Summarised financial information

Financial information of the non-wholly-owned subsidiary which had a material impact on the Consolidated Financial Statements is shown below:

Seaway 7 ASA

The Group holds a 72% interest in Seaway 7 ASA, a global group operating in the renewables market.

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Revenue	**1,260.0**	631.4
Net loss	**(62.5)**	(49.5)
Total comprehensive loss	**(61.3)**	(44.3)
Total comprehensive loss attributable to non-controlling interests	**(17.2)**	(12.4)

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Net cash flows generated from/(used in) operating activities	**38.6**	(3.0)
Net cash flows used in investing activities	**(38.0)**	(16.9)
Net cash flows generated from financing activities	**15.2**	23.4
Net increase in cash and cash equivalents	**15.8**	3.5

As at (in $ millions)	2021 31 Dec	2020 31 Dec
Non-current assets	**1,025.1**	607.8
Current assets	**327.6**	159.2
Current liabilities	**(458.5)**	(181.6)
Net assets	**894.2**	585.4
Total equity	**(864.3)**	(578.1)
Total equity attributable to the shareholders of the parent company	**(622.3)**	(416.2)
Total equity attributable to non-controlling interests	**(242.0)**	(161.9)

27. BORROWINGS

At (in $ millions)	2021 31 Dec	2020 31 Dec
South Korean Export Credit Agency (ECA) facility	**184.4**	209.0
UK Export Finance (UKEF) facility	**200.0**	–
Seaway 7 ASA Revolving Credit Facility	**37.0**	–
Other	**0.5**	–
Total	**421.9**	209.0
Consisting of:		
Non-current portion of borrowings	**360.3**	184.4
Current portion of borrowings	**61.6**	24.6
Total	**421.9**	209.0

Commitment fees expensed during the year in respect of unused lines of credit totalled $2.6 million (2020: $2.3 million).

Facilities

The multi-currency revolving credit and guarantee facility

The Group has a $656 million multi-currency revolving credit and guarantee facility, which matures on 4 September 2023. The facility is available in a combination of guarantees, up to a limit of $200 million, and cash drawings, or in full for cash drawings. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC, a wholly-owned subsidiary of the Group. The facility was unutilised at 31 December 2021 and 31 December 2020.

The South Korean Export Credit Agency (ECA) facility

In July 2015 the Group entered into a $357 million senior term loan facility secured on two vessels owned by the Group. The facility is provided 90% by an Export Credit Agency (ECA) and 10% by two banks and is available for general corporate purposes. The ECA tranche has a 12-year maturity and a 12-year amortising profile. The commercial tranche initially had a five-year maturity and a 15-year amortising profile, which commenced in April 2017. The commercial tranche was refinanced during November 2021, now maturing in January 2027, while retaining the original amortising profile. The facility is guaranteed by Subsea 7 S.A. and Subsea 7 Finance (UK) PLC. At 31 December 2021, the amount outstanding under the facility was $184.9 million (2020: $209.0 million).

UK Export Finance (UKEF) facility

On 24 February 2021, the Group entered into a $500 million five-year amortising committed loan facility backed by a $400 million guarantee from UK Export Finance. The Group has a two-year availability period during which to draw on the facility. The facility has a five-year tenor which commences at the end of the availability period or when the facility is fully drawn, whichever is earlier. The facility can be used for general corporate purposes, including to provide working capital financing for services provided from the UK. The facility is guaranteed by Subsea 7 S.A. At 31 December 2021, the amount outstanding under the facility was $200.0 million (2020: $nil).

Seaway 7 ASA Revolving Credit Facility

As part of the business combination to combine the Group's Renewables business unit (consisting of the Group's fixed offshore wind business) with OHT ASA (renamed Seaway 7 ASA), the Group acquired the Seaway 7 ASA Revolving Credit Facility. Further details are disclosed in Note 12 'Business combinations'. At 31 December 2021, the amount outstanding under the facility was $37.0 million, which was subsequently repaid in full during January 2022.

Utilisation of facilities

At (in $ millions)	2021 31 Dec Utilised	2021 31 Dec Unutilised	2021 31 Dec Total	2020 31 Dec Utilised	2020 31 Dec Unutilised	2020 31 Dec Total
Committed borrowing facilities	**421.9**	**956.0**	**1,377.9**	209.0	1,456.0	1,665.0

Other facilities

In addition to the above there are a number of uncommitted, unsecured bi-lateral guarantee arrangements in place in order to provide specific geographical coverage. The utilisation of these facilities at 31 December 2021 was $1.3 billion (2020: $1.2 billion).

27. BORROWINGS CONTINUED

Guarantee arrangements with joint ventures

During April 2021, Eidesvik Seven AS, a 50% owned joint venture between Eidesvik Offshore ASA and the Group, repaid in full a facility loan secured on the vessel, *Seven Viking.* The facility had been fully guaranteed by Subsea 7 S.A. with a 50% counter-guarantee from Eidesvik Shipping AS. The bank facility was replaced by a loan advanced to Eidesvik Seven AS by the Group; further details are disclosed in Note 34 'Related party transactions'.

28. LEASE LIABILITIES

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Maturity analysis – contractual undiscounted cash flows		
Within one year	90.3	80.7
Years two to five inclusive	141.8	183.8
After five years	17.1	5.8
Total undiscounted lease liabilities	**249.2**	**270.3**
Effect of discounting	(18.3)	(16.3)
Discounted lease liabilities	**230.9**	**254.0**
Consisting of:		
Non-current	142.9	168.6
Current	88.0	85.4
Total discounted lease liabilities	**230.9**	**254.0**

Amounts recognised within the Consolidated Income Statement in relation to short-term and low-value leases are disclosed within Note 6 'Net operating income'. Payments related to lease liabilities disclosed within the Consolidated Cash Flow statement for the year ended 31 December 2021 were $93.1 million (2020: $103.6 million).

29. OTHER NON-CURRENT LIABILITIES

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Other	**6.1**	14.7
Total	**6.1**	14.7

30. TRADE AND OTHER LIABILITIES

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Accruals	**887.9**	512.3
Trade payables	**271.1**	289.4
Current amounts due to associates and joint ventures	**9.1**	12.0
Accrued salaries and benefits	**106.4**	88.0
Withholding taxes	**15.4**	13.4
Other taxes payable	**44.2**	47.4
Other current liabilities	**18.4**	19.3
Total	**1,352.5**	981.8

31. PROVISIONS

(in $ millions)	Claims	Decommissioning	Restructuring	Onerous fixed-price contracts	Other	Total
At 1 January 2020	18.8	11.2	1.3	57.4	33.1	121.8
Additional provision in the year	3.9	3.7	64.7	70.5	13.0	155.8
Utilisation of provision	(3.5)	(3.5)	(22.4)	(53.3)	(13.5)	(96.2)
Unused amounts released during the year	(0.7)	–	–	(6.4)	(4.2)	(11.3)
Exchange differences	(2.3)	0.1	3.0	(2.5)	(0.4)	(2.1)
At 31 December 2020	16.2	11.5	46.6	65.7	28.0	168.0
Additional provision in the year	2.6	0.4	–	175.8	13.4	192.2
Acquisition of businesses	–	–	–	32.3	–	32.3
Utilisation of provision	(3.3)	(1.6)	(24.8)	(173.6)	(6.5)	(209.8)
Unused amounts released during the year	(0.8)	(0.2)	(18.9)	(9.9)	(5.1)	(34.9)
Effect of changes in the discount rate	–	–	–	–	1.2	1.2
Unwinding of discount rate	–	(0.1)	–	–	–	(0.1)
Exchange differences	(1.0)	–	(0.1)	(1.0)	(0.4)	(2.5)
At 31 December 2021	**13.7**	**10.0**	**2.8**	**89.3**	**30.6**	**146.4**

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Consisting of:		
Non-current provisions	**58.8**	49.5
Current provisions	**87.6**	118.5
Total	**146.4**	168.0

The claims provision comprises a number of claims made against the Group including disputes, personal injury cases and tax claims, where the timing of resolution is uncertain.

The decommissioning provision is mainly in relation to the Group's obligation to restore leased vessels to their original, or agreed, condition. The cash outflows related to the provision are expected to occur in the years in which the leases cease, which range from 2022 to 2025.

The restructuring provision relates to expenses associated with cost reduction and headcount resizing activities. The provision includes employee termination costs and professional fees. The provision is based on statutory requirements and discretionary arrangements for headcount reductions. The release in 2021 resulted from downward revisions to restructuring cost estimates. Cash outflows associated with termination costs and professional fees are expected to occur in 2022.

Onerous fixed-price contract provisions relate to projects where total forecast costs at completion exceed the expected transaction price. The cash outflows related to the provisions are expected to occur during 2022 and 2023.

Other provisions mainly related to onerous day-rate contracts and contingent consideration.

32. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

The Group's commitments at 31 December 2021 consisted of:

- commitments to purchase property, plant and equipment from external suppliers of $403.0 million (2020: $37.0 million), including commitments related to *Seaway Alfa Lift*, an offshore wind foundation installation vessel, and *Seaway Ventus*, an offshore wind turbine installation vessel; and
- short-term lease commitments totalling $28.8 million (2020: $35.2 million).

Contingent liabilities

A summary of the contingent liabilities is as follows:

	Contingent liability recognised		Contingent liability not recognised	
(in $ millions)	**2021**	2020	**2021**	2020
At year beginning	**6.0**	7.9	**285.2**	349.0
Movement in contingent liabilities	**–**	(0.5)	**(91.5)**	(3.8)
Exchange differences	**(0.5)**	(1.4)	**(17.3)**	(60.0)
At year end	**5.5**	6.0	**176.4**	285.2

Contingent liabilities recognised in the Consolidated Balance Sheet

As a result of the business combination between Acergy S.A. and Subsea 7 Inc., on 7 January 2011, IFRS 3 'Business Combinations' required the Group to recognise as a provision, as of the acquisition date, the fair value of contingent liabilities assumed if there was a present obligation that arose from past events, even where payment was not probable. The value of the provision recognised within the Consolidated Balance Sheet at 31 December 2021 was $5.0 million (2020: $5.5 million). While complying with the requirements of IFRS 3, management continues to believe that payment relating to the remaining recognised contingent liabilities is not probable.

As part of the accounting for the business combination of Pioneer Lining Technology Limited, the Group was required to recognise a contingent liability at the acquisition date, in respect of contingent amounts payable to a third party following the acquisition of intangible assets in 2009, in accordance with IFRS 3. The contingent liability recognised within the Consolidated Balance Sheet at 31 December 2021 was $0.5 million (2020: $0.5 million).

Contingent liabilities not recognised in the Consolidated Balance Sheet

Between 2009 and 2020, the Group's Brazilian businesses were audited and formally assessed for Imposto sobre Circulaçao de Mercadorias e Serviços (ICMS and federal taxes including import duty) by the Brazilian state and federal tax authorities. The amount assessed, including penalties and interest, at 31 December 2021 amounted to BRL 821.5 million, equivalent to $145.1 million (2020: BRL 834.5 million, equivalent to $161.7 million). The Group has challenged these assessments. A contingent liability has been disclosed for the total amounts assessed as the disclosure criteria have been met however management believes that the likelihood of payment is not probable.

During 2018, 2019 and 2020 the Group's Brazilian business received several labour claims and civil tax assessments. The amounts claimed or assessed at 31 December 2021 totalled BRL 234.8 million, equivalent to $41.5 million (2020: BRL 238.8 million, equivalent to $46.2 million). The Group has challenged these claims. A contingent liability has been disclosed for BRL 177.4 million, equivalent to $31.3 million (2020: BRL 187.3 million, equivalent to $36.3 million) as the disclosure criteria has been met however management believes that the likelihood of payment is not probable. A provision of BRL 57.4 million, equivalent to $10.1 million (2020: BRL 51.5 million, equivalent to $9.9 million) was recognised within the Consolidated Balance Sheet at 31 December 2021 as the IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' recognition criteria were met.

The Group is subject to tax audits and receives tax assessments in a number of jurisdictions where it has, or has had, operations. The estimation of the ultimate outcome of these audits and disputed tax assessments is complex and subjective. The likely outcome of the audits and associated cash outflow, if any, may be impacted by technical uncertainty and the availability of supporting documentation.

During the first quarter of 2021, the Group reached full and final settlement in respect of an audit by Rivers State, Nigeria. The settlement did not have a significant impact on the Consolidated Financial Statements of the Group and no future contingent liability disclosure will be required. At 31 December 2020, a contingent liability was disclosed of NGN 34,190 million, equivalent to $87.2 million.

In the ordinary course of business, various claims, legal actions and complaints have been filed against the Group in addition to those specifically referred to above. The Group typically also provides contractual warranties for the repair of defects which are identified during a contract and within a defined period thereafter. Warranty periods vary dependent on contract type and operating segment; engineering, procurement, installation and commissioning (EPIC) oil and gas contracts typically attract shorter periods than EPIC renewables contracts. Liability exposure levels are monitored by management and risk transfer mechanisms arranged where deemed appropriate. Although the final resolution of any of these matters could have a material effect on its operating results for a particular reporting period, management believes that it is not probable that these matters would materially impact the Group's Consolidated Financial Statements.

33. FINANCIAL INSTRUMENTS

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

Classification of financial instruments

Financial instruments are classified as follows:

At (in $ millions)	**2021 31 Dec Carrying amount**	2020 31 Dec Carrying amount
Financial assets		
Restricted cash	**5.7**	7.1
Cash and cash equivalents (Note 23)	**597.6**	511.6
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign exchange forward contracts	**1.3**	1.4
Embedded derivatives	**43.5**	49.7
Commodity derivatives	**2.9**	3.2
Financial assets elected to be measured at fair value through other comprehensive income:		
Commodity derivatives	**12.8**	–
Other financial assets – financial investments	**1.3**	2.9
Financial assets measured at amortised cost:		
Net trade receivables (Note 20)	**513.1**	497.7
Net non-current amounts due from associates and joint ventures (Note 18)	**37.0**	5.7
Net current amounts due from associates and joint ventures (Note 20)	**2.5**	7.3
Other financial receivables	**19.2**	14.9
Financial liabilities		
Financial liabilities mandatorily measured at fair value through profit or loss:		
Foreign exchange forward contracts	**(3.9)**	(1.2)
Embedded derivatives	**(25.5)**	(44.2)
Commodity derivatives	**–**	(2.1)
Contingent consideration	**(6.6)**	(7.7)
Financial liabilities measured at amortised cost:		
Trade payables (Note 30)	**(271.1)**	(289.4)
Lease liabilities (Note 28)	**(230.9)**	(254.0)
Current amounts due to associates and joint ventures (Note 30)	**(9.1)**	(12.0)
Borrowings (Note 27)	**(421.9)**	(209.0)
Other financial payables	**(13.4)**	(13.6)

Fair value

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Consolidated Financial Statements approximate their fair values due to their short-term nature or contractual cash flow characteristics.

Financial instruments – gains and losses recognised within profit or loss

The Group's financial instruments resulted in the recognition of the following in the Consolidated Income Statement:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Interest income from financial assets measured at amortised cost	**4.7**	4.8
Net fair value (losses)/gains on financial assets measured at fair value through profit or loss	**(6.6)**	48.8
Net fair value losses on financial liabilities measured at fair value through profit or loss	**(18.1)**	(39.4)

33. FINANCIAL INSTRUMENTS CONTINUED

Fees incurred in connection with financial instruments

Total fees incurred during the year in connection with financial instruments measured at amortised cost were $1.6 million (2020: $3.5 million).

Cash and cash equivalents

At 31 December 2021 the Group held cash and cash equivalents of $597.6 million (2020: $511.6 million) which included cash and cash equivalents available on demand of $321.4 million (2020: $244.1 million) and time deposits with financial institutions of $276.2 million (2020: $267.5 million).

The table below shows the carrying amount related to amounts on deposit. These are graded and monitored internally by the Group based on current external credit ratings issued, with 'prime' being the highest possible rating.

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Deposits:		
Counterparties rated prime grade	**80.0**	80.0
Counterparties rated high grade	**–**	15.0
Counterparties rated upper-medium grade	**170.0**	131.9
Counterparties rated lower-medium grade	**21.4**	40.6
Counterparties rated non-investment grade	**4.8**	–
Total	**276.2**	267.5

Financial instruments mandatorily measured at fair value through profit or loss

The Group classifies its financial assets at fair value through profit or loss if classified as one of the following:

- debt instruments that do not qualify for measurement at either amortised cost or at fair value through other comprehensive income;
- equity investments that are held for trading; or
- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

Derivative financial instruments recognised in the Consolidated Balance Sheet were as follows:

At (in $ millions)	**31 Dec 2021 Assets**	**31 Dec 2021 Liabilities**	**31 Dec 2021 Total**	31 Dec 2020 Assets	31 Dec 2020 Liabilities	31 Dec 2020 Total
Non-current						
Forward foreign exchange contracts	**–**	**–**	**–**	–	–	–
Embedded derivatives	**23.8**	**(5.7)**	**18.1**	20.7	(19.8)	0.9
Commodity derivatives	**0.9**	**–**	**0.9**	2.2	(1.3)	0.9
Total	**24.7**	**(5.7)**	**19.0**	22.9	(21.1)	1.8
Current						
Forward foreign exchange contracts	**1.3**	**(3.9)**	**(2.6)**	1.4	(1.2)	0.2
Embedded derivatives	**19.7**	**(19.8)**	**(0.1)**	29.0	(24.4)	4.6
Commodity derivatives	**14.8**	**–**	**14.8**	1.0	(0.8)	0.2
Total	**35.8**	**(23.7)**	**12.1**	31.4	(26.4)	5.0

Contingent consideration

Contingent consideration relates to amounts payable in connection with business combinations. The amounts payable are contingent on future events and are determined based on current expectations of the achievement of specific targets and milestones.

Financial instruments measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss comprise investments in quoted securities which the Group expects to divest within 12 months of the balance sheet date. As the investments are non-strategic in nature, changes in fair value are recognised in profit or loss.

Financial instruments elected to be measured at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise investments in equity securities not held for trading, and for which the Group has made an irrevocable election, at initial recognition, to recognise changes in fair value through other comprehensive income rather than profit or loss as these investments are strategic in nature.

Management concluded that due to the nature of these investments, there are a wide range of possible fair value measurements and in some cases there may be insufficient recent information available to enable the Group to accurately measure fair value. Management reviews investments at least annually to ensure the carrying amount can be supported by expected future cash flows and has concluded that cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes. During the year ended 31 December 2021, fair value was determinable for one of the Group's equity investments and a fair value remeasurement gain of $1.2 million (2020: $5.5 million loss) was recognised within other comprehensive income.

Upon disposal or derecognition of these equity investments, any associated balance accumulated within other comprehensive income will be reclassified to retained earnings. No investments were derecognised during the year.

During the year no dividends were recognised within profit or loss in connection with the financial investments and there were no transfers of cumulative gains or losses within equity.

Financial assets measured at amortised cost

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

Financial risk management objectives

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

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to foreign currency risks, including forward foreign exchange contracts to hedge the exchange rate risk arising on future revenue, operating expenditures and capital expenditures.

In the year ended 31 December 2021, there was no significant change to the Group's exposure to market risks or the manner in which it managed and measured the risk.

Foreign currency risk

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

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

Foreign currency sensitivity analysis

The Group considers that its principal currency exposure is to movements in the US Dollar against other currencies. The US Dollar is the Group's reporting currency, the functional currency of many of its subsidiaries and the currency of a significant volume of the Group's cash flows.

At 31 December 2021 the Group performed a sensitivity analysis to indicate the extent to which net income/(loss) and equity would be affected by changes in the exchange rate between the US Dollar and other currencies in which the Group transacts. The analysis is based on a strengthening of the US Dollar by 10% against each of the other currencies in which the Group has significant assets and liabilities at the end of each respective period. A movement of 10% reflects a reasonably possible sensitivity when compared to historical movements over a five-year time-frame. The Group's analysis of the impact on net income/(loss) in each year is based on monetary assets and liabilities in the Consolidated Balance Sheet at the end of each respective year.

The Group's analysis of the impact on equity includes the impacts on the translation reserve in respect of intra-group balances that form part of the net investment in a foreign operation. The amounts disclosed have not been adjusted for the impact of taxation.

A 10% strengthening in the US Dollar exchange rate against other currencies in which the Group transacts would increase net foreign currency exchange gains reported in other gains and losses by $33.8 million for the year ended 31 December 2021 (2020: $29.0 million). The impact would be an increase in reported equity of $23.1 million (2020: increase of $18.2 million).

Forward foreign exchange contracts

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

The Group does not use derivative instruments to hedge the exposure to exchange rate fluctuations from its net investments in foreign subsidiaries.

33. FINANCIAL INSTRUMENTS CONTINUED

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

At 31 December 2021

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $ millions)	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	**74.8**	**–**	**123.5**	**–**	**0.5**	**–**
Danish Krone	**7.5**	**–**	**–**	**–**	**–**	**–**
Euro	**37.4**	**–**	**211.8**	**–**	**(1.1)**	**–**
Norwegian Krone	**3.8**	**–**	**88.4**	**–**	**(1.3)**	**–**
Singapore Dollar	**2.6**	**–**	**–**	**–**	**–**	**–**
Australian Dollar	**–**	**–**	**41.8**	**–**	**(0.7)**	**–**
Total	**126.1**	**–**	**465.5**	**–**	**(2.6)**	**–**

At 31 December 2020

	Contracted amount by contract maturity				Fair value by contract maturity	
	Buy		Sell		Maturity	
(in $ millions)	< 1 Year	1-5 Years	< 1 Year	1-5 Years	< 1 Year	1-5 Years
British Pound Sterling	22.4	–	1.3	–	(0.4)	–
Danish Krone	12.3	–	1.0	–	(0.1)	–
Euro	21.7	–	23.1	–	(0.2)	–
Norwegian Krone	7.0	–	10.9	–	–	–
Singapore Dollar	18.6	–	0.7	–	(0.1)	–
Australian Dollar	–	–	77.1	–	1.0	–
Total	82.0	–	114.1	–	0.2	–

Hedge accounting

At 31 December 2021 the Group had designated commodity hedges of $12.8 million (2020: $nil) as hedging instruments. The hedging reserve, included within other reserves in the Consolidated Balance Sheet, represents hedging gains recognised on the effective portion of commodity cash flow hedges. The movement in the hedging reserve was as follows:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
At year beginning	**–**	–
Gains on the effective portion of derivative financial instruments deferred to equity:		
Cash flow on commodity hedges	**12.8**	–
Tax recognised in Other Comprehensive Income	**(2.4)**	–
At year end	**10.4**	–

The Group documents its assessment of whether the hedging instrument which is used in a hedging relationship is effective in offsetting changes in cash flows of the hedged item, on a prospective basis. The cumulative effective portion is deferred in equity within other reserves as hedging reserves in the Consolidated Balance Sheet. The resulting cumulative gains or losses will be reclassified to the Consolidated Income Statement upon the recognition of the underlying transaction or the discontinuance of a hedging relationship. Movements in respect of effective hedges are detailed in the Consolidated Statement of Changes in Equity. The gains or losses relating to the ineffective portion of cash flow hedges are recognised in the Consolidated Income Statement and the net amount for the year was $nil (2020: $nil). Hedge ineffectiveness can arise from differences in the timing of the cash flows of the hedged items and the hedging instruments, different indexes linked to the hedged risk of the hedged items and hedging instruments, counterparties' credit risk differently impacting fair value movements of the hedging instruments and hedged items or changes to the forecasted amount of cash flows of hedged items and hedging instruments. There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity forward contracts match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

At 31 December 2021 and at 31 December 2020 none of the Group's outstanding external forward foreign exchange contracts had been designated as hedging instruments.

Commodity hedging

The Group enters into commodity hedging to manage risk on specific exposures, swapping floating price to fixed. At 31 December 2021 the fair values of commodity trades amounted to $15.7 million within financial assets (2020: $3.2 million) and $nil within financial liabilities (2020: $2.1 million).

Embedded derivatives

The Group regularly enters into multi-currency contracts from which the cash flows may lead to embedded foreign exchange derivatives in non-financial host contracts, carried at fair value through profit or loss. Embedded foreign currency derivatives, arising from multi-currency contracts, are separated where the host contract does not qualify as a financial asset, where the transactional currency differs from the functional currencies of the involved parties and a separate instrument, with the same terms as the embedded derivative, would meet the definition of a derivative.

The fair values of the embedded derivatives at 31 December 2021 amounted to $43.5 million related to financial assets (2020: $49.7 million) and $25.5 million related to financial liabilities (2020: $44.2 million). The effects on the Consolidated Income Statement were reflected in net foreign currency gains and losses within other gains and losses.

Interest rate risk management

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

Interest rate sensitivity analysis

At 31 December 2021, the Group had cash deposits and borrowings. A 1% increase in interest rates would not have a significant impact on the Group's finance cost or finance income due to the net cash position the Group held throughout the year.

The Group continues to monitor the reform of the Inter-borrowing Offering Rate (IBOR) and will actively manage the associated outcome.

Credit risk management

Credit risk refers to the risk that a customer or counterparty to a financial instrument will default on its contractual obligations and fail to make payment as obligations fall due resulting in financial loss for the Group. Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative financial instruments.

The maximum exposure of the Group to credit-related loss of financial instruments is the aggregate of the carrying amount of the financial assets as summarised on page 113.

33. FINANCIAL INSTRUMENTS CONTINUED

Financial instruments and cash deposits

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

The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's credit risk management practices are designed to address the risk characteristics of the key classes of financial asset. Credit exposure is controlled by counterparty limits that are reviewed and approved on an annual basis and are monitored daily. In respect of its clients and suppliers, the Group uses credit ratings as well as other publicly available financial information and its own trading records to rate its major counterparties. The assessment of the Group's exposure to credit risk includes consideration of historical and forward-looking information regarding both the financial position and performance of the counterparty and the general macro-economic environment.

Expected credit loss assessment for financial assets

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

For construction contract assets and trade and other receivables which do not contain a significant financing component, the Group applies the simplified approach. This approach requires the allowance for expected credit losses to be recognised at an amount equal to lifetime expected credit losses. For other debt financial assets the Group applies the general approach to providing for expected credit losses as prescribed by IFRS 9, which permits the recognition of an allowance for the estimated expected loss resulting from default in the subsequent 12-month period. Exposure to credit loss is monitored on a continual basis and, where material, the allowance for expected credit losses is adjusted to reflect the risk of default during the lifetime of the financial asset should a significant change in credit risk be identified.

In determining expected credit losses, financial assets with the same counterparty are grouped and where appropriate expected credit losses are measured on a collective basis. In determining the level of allowance the Group uses an internal credit risk grading framework and applies judgement based on a variety of data in order to predict the likely risk of default. The Group defines default as full or partial non-payment of contractual cash flows. The determination of expected credit losses is derived from historical and forward-looking information which includes external ratings, audited financial statements and other publicly available information about customers. Determination of the level of expected credit loss incorporates a review of factors which can be indicative of default, including the nature of the counterparty (for example national oil and gas companies, international oil and gas companies or independent oil, gas and energy companies) and the individual industry sectors in which the counterparty operates.

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

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

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

The Group considers an asset to be credit impaired once there is evidence that a loss has been incurred. In addition to recognising an allowance for expected credit loss, the Group monitors for the occurrence of events that have a detrimental impact on the recoverability of financial assets. Evidence of credit impairment includes, but is not limited to, indications of significant financial difficulty of the counterparty, a breach of contract or failure to adhere to payment terms, bankruptcy or financial reorganisation of a counterparty or the disappearance of an active market for the financial asset.

A financial asset is only impaired when there is no reasonable expectation of recovery.

For trade receivables, the Group's current credit risk grading framework comprises the following categories:

Category	Description	Response
Performing	The counterparty has a low risk of default. No balances are aged greater than 30 days past due.	An allowance for lifetime ECLs is recognised where the impact is determined to be material.
Monitored	The counterparty has a low risk of default. Balances aged greater than 30 days past due have arisen due to ongoing commercial discussions associated with the close-out of contractual requirements and are not considered to be indicative of an increased risk of default.	The allowance for lifetime ECLs is increased where the impact is determined to be material.
In default	Balances are greater than 90 days past due with the ageing not being as a result of ongoing commercial discussions associated with the close-out of contractual commitments, or there is evidence indicating that the counterparty is in severe financial difficulty and collection of amounts due is improbable.	The asset is considered to be credit impaired and an allowance for the estimated incurred loss is recognised where material.
Written off	There is evidence that the counterparty is in severe financial difficulty and the Group has no realistic prospect of recovery of balances due.	The gross receivable and associated allowance are both derecognised.

The credit risk grades disclosed above are consistent with the information used by the Group for credit risk management purposes. Specific information regarding the counterparty together with past-due information and forward-looking information is utilised in order to determine the appropriate credit grading category. Trade receivables balances were evaluated using the grading framework as follows:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Performing	**434.9**	467.5
Monitored	**80.4**	32.9
In default	**3.9**	23.3
Gross carrying amount	**519.2**	523.7

In addition to the credit risk grading framework for trade receivables the Group uses past-due information to assess significant increases in credit risk for all financial assets. Information related to ageing of material financial assets is included within subsequent disclosures.

Other financial assets, including amounts due from associates and joint ventures, are not subject to the Group's credit risk grading framework. The Group assesses the credit risk of these financial assets on a case-by-case basis using all relevant available historical and forward-looking information. Allowances for expected credit losses or credit impairment are recorded when required.

Trade receivables

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Gross carrying amount	**519.2**	523.7
Allowance for expected credit losses	**(2.2)**	(2.7)
Allowance for credit impairments	**(3.9)**	(23.3)
Net carrying amount	**513.1**	497.7

The table below provides an analysis of the age of trade receivables at the balance sheet date. This includes details of those trade receivables which are past due, but not impaired, and trade receivables which are individually determined to be impaired.

At 31 December 2021

(in $ millions)	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Gross carrying amount	**435.4**	**18.8**	**36.7**	**28.3**	**519.2**
Allowance for expected credit losses	**(2.2)**	**–**	**–**	**–**	**(2.2)**
Allowance for incurred credit impairments	**(0.4)**	**–**	**–**	**(3.5)**	**(3.9)**
Net carrying amount	**432.8**	**18.8**	**36.7**	**24.8**	**513.1**

33. FINANCIAL INSTRUMENTS CONTINUED

At 31 December 2020

(in $ millions)	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	471.3	9.9	2.9	39.6	523.7
Allowance for expected credit losses	(2.7)	–	–	–	(2.7)
Allowance for incurred credit impairments	(3.8)	–	–	(19.5)	(23.3)
Net carrying amount	464.8	9.9	2.9	20.1	497.7

The movement in the allowance for expected credit losses in respect of trade receivables during the year was as follows:

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Allowance for expected credit losses		
At year beginning	**(2.7)**	(2.7)
Decrease in allowance recognised in profit or loss	**0.5**	–
At year end	**(2.2)**	(2.7)

The movement in the allowance for credit impairment in respect of trade receivables during the year was as follows:

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Allowance for credit impairment		
At year beginning	**(23.3)**	(15.9)
Increase in allowance recognised in profit or loss	**–**	(14.9)
Utilisation of allowance	**4.0**	3.4
Unused amounts released during the year	**15.7**	3.0
Exchange differences	**(0.3)**	1.1
At year end	**(3.9)**	(23.3)

During the year ended 31 December 2021, the Group collected $15.7 million of trade receivables which had been credit impaired in the prior year (2020: $3.0 million).

Amounts due from associates and joint ventures

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Gross carrying amount	**43.0**	16.5
Allowance for incurred credit impairments	**(3.5)**	(3.5)
Net carrying amount	**39.5**	13.0

The table below provides an analysis of the ageing of amounts due from associates and joint ventures. This includes balances with associates and joint ventures which are past due at the end of the reporting period, but not impaired, and balances which are individually determined to be impaired at the end of the reporting period.

At 31 December 2021

(in $ millions)	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**Total**
Gross carrying amount	**32.1**	**–**	**–**	**10.9**	**43.0**
Allowance for credit impairments	**–**	**–**	**–**	**(3.5)**	**(3.5)**
Net carrying amount	**32.1**	**–**	**–**	**7.4**	**39.5**

At 31 December 2020

(in $ millions)	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Gross carrying amount	1.7	0.2	0.9	13.7	16.5
Allowance for credit impairments	(0.1)	–	–	(3.4)	(3.5)
Net carrying amount	1.6	0.2	0.9	10.3	13.0

The movement in the allowance for credit impairments in respect of amounts due from associates and joint ventures during the year was as follows:

(in $ millions)	**2021 31 Dec**	2020 31 Dec
Allowance for credit impairments		
At year beginning	**(3.5)**	(2.2)
Increase in allowance recognised in profit or loss	**–**	(1.6)
Unused amounts reversed	**–**	0.3
At year end	**(3.5)**	(3.5)

At 31 December 2021 the allowance for expected credit losses recognised in connection with amounts due from associates and joint ventures was $nil (2020: $nil).

Other financial assets at amortised cost

An analysis of the age of other financial assets at the balance sheet date has not been provided on the grounds of materiality. Other financial assets are typically non-recurring and are monitored on an asset-by-asset basis. Ageing is not necessarily reflective of credit risk.

At 31 December 2021 the allowances for expected credit losses and credit impairment recognised in connection with other financial assets at amortised cost were $nil (2020: $nil).

Concentration of credit risk

Credit risk is primarily associated with trade receivables. Net trade receivables (Note 20 'Trade and other receivables') arise from a large number of clients, dispersed geographically. Continual credit evaluation is performed on the recoverability of trade receivables. The following table classifies outstanding balances into three categories:

At	**2021 31 Dec Category percentage**	2020 31 Dec Category percentage
National energy companies	**28%**	19%
International energy companies	**19%**	34%
Independent energy companies	**53%**	47%
Total	**100%**	100%

National energy companies are either partially or fully-owned by or directly controlled by the government of their respective country of incorporation. Both international and independent energy companies are mainly publicly or privately owned. International energy companies are generally larger in size and scope than independent energy companies.

During the year ended 31 December 2021, two clients (2020: two clients) contributed individually to 10% or more of the Group's revenue. The revenue from these clients was $1,296.3 million or 26% of total Group revenue (2020: $670.0 million or 20%).

The five largest receivables balances by client are shown below:

At (in $ millions)	**31 Dec 2021**
Client A	**124.0**
Client B	**61.5**
Client C	**42.1**
Client D	**41.9**
Client E	**24.1**

At (in $ millions)	31 Dec 2020
Client A	57.1
Client B	55.2
Client C	46.1
Client D	40.7
Client E	35.5

The client mix for outstanding accounts receivable balances at 31 December 2021 is not the same as at 31 December 2020. The Group did not have any significant credit exposure to any single counterparty at 31 December 2021 or 31 December 2020.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are primarily banks with high credit ratings assigned by international credit-rating agencies. At 31 December 2021, 53% (2020: 52%) of cash was held at counterparties with a credit rating lower than 'upper-medium grade' classification.

33. FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk management

The Group has a framework for the management of short, medium and long-term funding and liquidity management requirements. The Group continually monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities. Liquidity risk is managed by maintaining adequate cash and cash equivalent balances and by ensuring available borrowing facilities are in place. Included in Note 27 'Borrowings' are details of the undrawn facilities that the Group had at 31 December 2021.

Liquidity tables

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

At 31 December 2021

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Borrowings	**44.4**	**7.0**	**17.0**	**381.2**	**449.6**
Trade payables	**231.5**	**28.6**	**10.6**	**0.4**	**271.1**
Amounts due to associates and joint ventures	**8.6**	**0.5**	**–**	**–**	**9.1**
Lease liabilities	**8.5**	**16.6**	**65.2**	**158.9**	**249.2**
Total	**293.0**	**52.7**	**92.8**	**540.5**	**979.0**

At 31 December 2020

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Borrowings	6.9	6.2	14.5	192.4	220.0
Trade payables	275.5	13.3	0.6	–	289.4
Amounts due to associates and joint ventures	12.0	–	–	–	12.0
Lease liabilities	6.1	12.5	62.1	189.6	270.3
Total	300.5	32.0	77.2	382.0	791.7

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

At 31 December 2021

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Net settled:					
Embedded derivatives	**–**	**5.5**	**14.3**	**5.7**	**25.5**
Gross settled:					
Foreign exchange forward contract payments	**283.3**	**157.4**	**–**	**–**	**440.7**
Foreign exchange forward contract receipts	**(280.6)**	**(156.2)**	**–**	**–**	**(436.8)**
Total	**2.7**	**6.7**	**14.3**	**5.7**	**29.4**

At 31 December 2020

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Net settled:					
Embedded derivatives	–	3.0	21.4	19.8	44.2
Commodity hedging	0.3	0.1	0.4	1.3	2.1
Gross settled:					
Foreign exchange forward contract payments	72.4	8.0	2.8	–	83.2
Foreign exchange forward contract receipts	(71.7)	(7.7)	(2.6)	–	(82.0)
Total	1.0	3.4	22.0	21.1	47.5

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders of the parent company.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 27 'Borrowings', cash and cash equivalents disclosed in Note 23 'Cash and cash equivalents' and equity attributable to shareholders of the parent company, comprising issued share capital, paid in surplus, reserves and retained earnings.

The Group monitors its capital structure using a leverage ratio of net debt to Adjusted EBITDA. The ratio calculates net debt as the principal value of borrowings and lease liabilities less cash and cash equivalents.

Reconciliation of movements in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows are classified in the Consolidated Cash Flow Statement as cash flows from financing activities.

	Liabilities		Equity			Other	Total
(in $ millions)	Borrowings	Lease liabilities	Dividends payable to shareholders	Treasury shares	Other equity		
Balance at 1 January 2021	**209.0**	**254.0**	**–**	**(17.8)**	**(6.0)**	**(6.4)**	**432.8**
Financing cash flows							
Interest paid	(5.9)	–	–	–	–	(6.2)	(12.1)
Repayment of borrowings	(24.6)	–	–	–	–	–	(24.6)
Proceeds from borrowings	200.0	–	–	–	–	–	200.0
Cost of share repurchases	–	–	–	(21.0)	–	–	(21.0)
Payments related to lease liabilities	–	(93.1)	–	–	–	–	(93.1)
Dividends paid to shareholders of the parent company	–	–	(72.0)	–	–	–	(72.0)
Total financing cash flows	**169.5**	**(93.1)**	**(72.0)**	**(21.0)**	**–**	**(6.2)**	**(22.8)**
Non-cash changes							
Dividends declared	–	–	69.5	–	–	–	69.5
Addition of borrowings	37.5	–	–	–	–	–	37.5
Addition of lease liabilities		54.8					54.8
Remeasurement of lease liabilities	–	6.7	–	–	–	–	6.7
Shares reallocated relating to share-based payments	–	–	–	5.9	(5.9)	–	–
Interest charges	5.9	6.7	–	–	–	7.5	20.1
Exchange differences	–	1.8	2.5	–	–	–	4.3
Total non-cash changes	**43.4**	**70.0**	**72.0**	**5.9**	**(5.9)**	**7.5**	**192.9**
Balance at 31 December 2021	**421.9**	**230.9**	**–**	**(32.9)**	**(11.9)**	**(5.0)**	**602.9**

33. FINANCIAL INSTRUMENTS CONTINUED

	Liabilities		Equity			Other	Total
(in $ millions)	Borrowings	Lease liabilities	Dividends payable to non-controlling interests	Treasury shares	Other equity		
Balance at 1 January 2020	**233.6**	**345.2**	**11.5**	**(14.0)**	**–**	**(4.0)**	**572.3**
Financing cash flows							
Interest paid	(6.2)	–	–	–	–	(3.2)	(9.4)
Repayment of borrowings	(24.6)	–	–	–	–	–	(24.6)
Cost of share repurchases	–	–	–	(9.8)	–	–	(9.8)
Payments related to lease liabilities	–	(103.6)	–	–	–	–	(103.6)
Dividends paid to non-controlling interests	–	–	(10.2)	–	–	–	(10.2)
Total financing cash flows	**(30.8)**	**(103.6)**	**(10.2)**	**(9.8)**	**–**	**(3.2)**	**(157.6)**
Non-cash changes							
Dividends declared	–	–	1.1	–	–	–	1.1
Disposal of lease liabilities	–	(34.5)	–	–	–	–	(34.5)
Addition of lease liabilities	–	52.4	–	–	–	–	52.4
Remeasurement of lease liabilities	–	(15.5)	–	–	–	–	(15.5)
Shares reallocated relating to share-based payments	–	–	–	6.0	(6.0)	–	–
Interest charges	6.2	19.7	–	–	–	(1.3)	24.6
Exchange differences	–	(9.7)	(0.3)	–	–	–	(10.0)
Total non-cash changes	**6.2**	**12.4**	**0.8**	**6.0**	**(6.0)**	**(1.3)**	**18.1**
Balance at 31 December 2020	**209.0**	**254.0**	**2.1**	**(17.8)**	**(6.0)**	**(8.5)**	**432.8**

Fair value hierarchy

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

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurement

During the year ended 31 December 2021 there were no transfers between levels of the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy from the date of the event or change in circumstances that caused the transfer.

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

At (in $ millions)	**2021 31 Dec Level 1**	**2021 31 Dec Level 2**	**2021 31 Dec Level 3**	2020 31 Dec Level 1	2020 31 Dec Level 2	2020 31 Dec Level 3
Recurring fair value measurements						
Financial assets:						
Financial assets at fair value through profit or loss – derivative instruments	**–**	**1.3**	**–**	–	1.4	–
Financial assets at fair value through profit or loss – embedded derivatives	**–**	**43.5**	**–**	–	49.7	–
Financial assets at fair value through profit or loss – commodity derivatives	**–**	**2.9**	**–**	–	3.2	–
Financial assets at fair value through other comprehensive income – commodity derivatives	**–**	**12.8**	**–**	–	–	–
Financial liabilities:						
Financial liabilities at fair value through profit or loss – derivative instruments	**–**	**(3.9)**	**–**	–	(1.2)	–
Financial liabilities at fair value through profit or loss – embedded derivatives	**–**	**(25.5)**	**–**	–	(44.2)	–
Financial liabilities at fair value through profit or loss – commodity derivatives	**–**	**–**	**–**	–	(2.1)	–
Contingent consideration[(a)]	**–**	**–**	**(6.6)**	–	–	(7.7)

(a) A reconciliation of contingent consideration movements during the year is shown on page 126.

33. FINANCIAL INSTRUMENTS CONTINUED

Recurring fair value measurements

Financial assets and financial liabilities

Financial assets and financial liabilities which are remeasured to fair value on a recurring basis are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and quotes for similar instruments;
- the fair value of other financial assets classified as current assets, which includes quoted securities, is determined using quoted prices;
- the fair value of contingent consideration is determined based on current expectations of the achievement of specific targets and milestones calculated using the discounted cash flow method and unobservable inputs. Quantitative information about the significant unobservable inputs used in the fair value measurement and sensitivities to changes in these unobservable inputs are as disclosed below:

(in $ millions)	Balance at 1 January 2021	Acquisition of businesses	Fair value adjustments	Exchange differences	Balance at 31 December 2021
Contingent consideration	**7.7**	**1.0**	**(2.0)**	**(0.1)**	**6.6**

- Significant inputs to the fair value of contingent consideration following a business combination include the assumed probability of the achievement of operational targets and technical milestones. A significant increase or decrease in the assumed probability of achieving these would result in a higher or lower fair value of the contingent consideration liability, while a significant increase or decrease in the discount rate would result in a higher or lower fair value of the contingent consideration liability. Gains or losses for the year were recorded in the Consolidated Income Statement as disclosed within Note 7 ‘Other gains and losses’; and
- the fair values of foreign exchange derivative instruments and embedded derivatives are calculated using quoted foreign exchange rates and yield curves derived from quoted interest rates matching maturities of the contract. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivative financial instruments.

Non-recurring fair value measurements

Assumptions used in determining fair value of financial assets and financial liabilities which are not remeasured to fair value on a recurring basis are as follows:

The fair value of receivables and payables is based on their carrying amounts which is representative of contractual amounts due and, where appropriate, incorporates expectations about future expected credit losses.

Other financial assets which are classified as non-current include equity investments in unlisted companies which are strategic in nature. Management concluded that due to the nature of these investments, there are a wide range of possible fair value measurements and in some cases there may be insufficient recent information available to enable the Group to accurately measure fair value. Management review investments annually to ensure the carrying amount can be supported by expected future cash flows and has concluded cost is considered to represent the best estimate of fair value of each investment within a range of possible outcomes.

34. RELATED PARTY TRANSACTIONS

Key management personnel

Key management personnel include the Board of Directors and the Executive Management Team. Key management personnel at 31 December 2021 included 13 individuals (2020: 13 individuals). The remuneration of these personnel is determined by the Compensation Committee of the Board of Directors of Subsea 7 S.A.

Non-Executive Directors

Details of fees paid to Non-Executive Directors for the year ended 31 December 2021 are set out below:

Name	Annual fee $	Member of Audit Committee $	2021 31 Dec $	2020 31 Dec $
Kristian Siem	**200,000**	**–**	**–** [(a)]	– [(a)(b)]
Dod Fraser	**105,000**	**14,000**	**119,000**	105,613
Allen Stevens	**2,877**	**–**	**2,877** [(c)]	93,188
Niels Kirk	**105,000**	**2,520**	**107,520**	98,513
Elisabeth Proust (mandate expired 14 April 2021)	**29,925**	**1,710**	**31,635**	96,911
David Mullen	**105,000**	**4,308**	**109,308**	93,188
Jean Cahuzac	**105,000**	**3,504**	**108,504**	93,188
Eldar Sætre (appointed 1 June 2021)	**61,530**	**–**	**61,530**	–
Louisa Siem (appointed 4 June 2021)	**60,690**	**–**	**60,690**	–

(a) Mr Siem's fee is included within payments to Siem Industries S.A. as detailed in 'Other related party transactions' on page 129.
(b) Non-Executive Directors' fees were temporarily reduced from April 2020 to December 2020 by 15%.
(c) Mr Stevens passed away on 10 January 2021.

Subsea 7 S.A. shares held by the Non-Executive Directors at 31 December 2021 were as follows:

Shareholdings

Name	Total owned shares
Kristian Siem[(a)]	**–**
Dod Fraser	**4,000**
Niels Kirk	**–**
David Mullen	**15,000**
Jean Cahuzac	**198,131**
Eldar Sætre	**7,000**
Louisa Siem	**–**

(a) At 31 December 2021, Siem Industries S.A. which is a company controlled through Mr Siem, owned 69,449,377 shares, representing 23.2% of total common shares of the Company.

Key management (Executive Management Team)

Payments made by the Group in relation to the Executive Management Team during the year were as follows:

For the year ended (in $ millions)	2021 31 Dec[(a)]	2020 31 Dec[(a)]
Salaries and other short-term employee benefits[(b)]	**4.5**	5.0
Share-based payments[(c)]	**0.6**	0.6
Post-employment benefits[(d)]	**0.2**	0.2
Total	**5.3**	5.8

(a) Amounts represent payments made to members of the Executive Management Team and the associated costs incurred by the Group.
(b) Salaries and other short-term employee benefits represents payments made during the year in respect of base salary, short-term bonus payments, other short-term benefits, including private healthcare and car allowances, and the associated social security contributions made by the Group.
(c) Share-based payments represents the market value of the shares transferred to the participants during the year. Shares transferred represent performance shares which vested under the 2013 and 2018 Long-term Incentive Plans and which participants are now entitled to receive. Refer to Note 35 'Share-based payments' for details of the plans.
(d) Post-employment benefits represent the cash value of defined pension contribution payments made by the Group during the year.

34. RELATED PARTY TRANSACTIONS CONTINUED

Total remuneration for the Chief Executive Officer and Chief Financial Officer during the year was as follows:

For the year ended (in $ thousands)	John Evans (Chief Executive Officer) 2021 31 Dec[(a)(b)]	2020 31 Dec[(a)(b)]	Ricardo Rosa (Chief Financial Officer) 2021 31 Dec[(a)(b)]	2020 31 Dec[(a)(b)]
Base salary	**689.0**	568.0[(c)]	**524.0**	418.0[(c)]
Short-term incentive bonus[(d)]	**481.9**	–	**219.7**	–
Taxable benefits[(e)]	**22.1**	22.1	**18.0**	17.0
Share-based payments[(f)]	**174.0**	151.0	**141.1**	119.0
Cash in lieu of pension[(g)]	**61.0**	50.0	**–**	–
Pension contributions made by employer[(h)]	**–**	–	**51.2**	19.0
Total	**1,428.0**	791.1	**954.0**	573.0

(a) Amounts in the table are shown gross before deductions of income taxes and social security costs borne by the employee.
(b) Payments are made in GBP. The amounts have been translated to USD using an average rate for the year. The amount represents the cash paid in respect of the year.
(c) Mr Evans and Mr Rosa volunteered a temporary 15% reduction to their base salaries from April 2020 to December 2020.
(d) Short-term incentive bonus in respect of performance during the year.
(e) Taxable benefits represent the taxable value of benefits provided during the year, including private healthcare insurance and car allowances.
(f) Share-based payments represents the market value of the shares transferred to the participants during the year which vested under the 2013 and 2018 Long-term Incentive Plans. The shares were transferred when the participant met the service criteria associated with the plans. Refer to Note 35 'Share-based payments' for details of the plans.
(g) Mr Evans received a cash allowance in lieu of a pension contribution.
(h) Employer pension contributions represents the cash value of defined pension contribution payments made by the Group during the year.

Performance shares outstanding and shareholdings held at 31 December 2021 were as follows:

Shares and performance shares

Name	Total performance shares[(a)]	Total owned shares
John Evans	182,215	92,481
Ricardo Rosa[(b)]	93,264	50,958
Nathalie Louys	97,518	33,073
Kate Lyne	86,747	17,694
Olivier Blaringhem	110,530	18,590
Phil Simons	105,530	9,264

(a) Total performance shares held represent the maximum future entitlement assuming all vesting conditions are met.
(b) Mr Rosa retired on 31 December 2021.

Transactions with key management personnel

During the year, the Executive Management Team were awarded the rights to 180,000 performance shares under the Group's 2018 Long-term Incentive Plan. Refer to Note 35 'Share-based payments' for details of the plan.

Transactions with associates and joint ventures

The Consolidated Balance Sheet includes:

At (in $ millions)	2021 31 Dec	2020 31 Dec
Net non-current receivables due from associates and joint ventures (Note 18)	**37.0**	5.7
Net trade receivables due from associates and joint ventures (Note 20)	**2.5**	7.3
Trade payables due to associates and joint ventures (Note 30)	**(9.1)**	(12.0)
Net receivables due from associates and joint ventures	**30.4**	1.0

During the year, the Group provided services to associates and joint ventures amounting to $1.0 million (2020: $2.2 million) and purchased goods and services from associates and joint ventures amounting to $17.6 million (2020: $26.2 million). The Group advanced a loan of $33.0 million to Eidesvik Seven AS, of which $31.2 million remained outstanding at 31 December 2021. The loan is repayable in instalments with the final amount due 31 December 2025, subject to a one-year extension option.

Other related party transactions

During the year the Group undertook related party transactions, all of which were conducted on an arm's length basis.

The Group is an associate of Siem Industries S.A. and is equity accounted for within Siem Industries S.A.'s Consolidated Financial Statements. Payments were made to Siem Industries S.A. in relation to the services provided by Mr Siem and reimbursement of other support services and costs incurred by Siem Industries S.A. totalling $0.3 million (2020: $0.5 million).

Purchases by the Group from companies ultimately controlled by Siem Industries S.A. including vessel charters, provision of crew, associated services and property rental totalling $21.4 million (2020: $17.2), were made during the year.

Revenue generated by the Group from companies ultimately controlled by Siem Industries S.A. including equipment and property rental totalling $0.5 million (2020: $0.5 million) was recognised during the year.

At 31 December 2021, the Group had outstanding balances payable to companies ultimately controlled by Siem Industries S.A. of $1.9 million (2020: less than $0.1 million).

At 31 December 2021, the Group had outstanding balances receivable from companies ultimately controlled by Siem Industries S.A. of less than $0.1 million (2020: less than $0.1 million).

35. SHARE-BASED PAYMENTS

The Group operated two equity-settled share-based payment schemes during 2021.

The following table summarises the compensation expense recognised in the Consolidated Income Statement during the year:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Expense arising from equity-settled share-based payment transactions:		
2013 Long-term Incentive Plan	**0.6**	1.6
2018 Long-term Incentive Plan	**3.3**	2.6
Total	**3.9**	4.2

Equity-settled share-based payment schemes

2013 Long-term Incentive Plan

The 2013 Long-term Incentive Plan (2013 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 28 June 2013. The 2013 LTIP had a five-year term with awards being made annually until 2017.

The 2013 LTIP provided for conditional awards of shares based upon performance conditions measured over a performance period of three years. Performance conditions were based on two measures: relative Total Shareholder Return (TSR) against a specified comparator group of companies and the level of Return on Average Invested Capital (ROAIC) achieved. Both performance conditions were determined over a three-year period.

During 2021, in accordance with the terms of the 2013 LTIP, shares totalling 225,170 (2020: 514,145) were unconditionally transferred to participants for $nil consideration.

2018 Long-term Incentive Plan

The 2018 Long-term Incentive Plan (2018 LTIP) was approved by the Company's shareholders at the Annual General Meeting on 17 April 2018. The 2018 LTIP has a five-year term with awards being made annually. The aggregate number of shares which may be granted in any calendar year is limited to 0.5% of issued and outstanding share capital on 1 January of that calendar year. The total number of shares that may be delivered pursuant to awards under the plan shall not exceed 11,500,000. Grants are determined by the Compensation Committee of the Subsea 7 S.A. Board of Directors, which is responsible for operating and administering the plan.

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

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

35. SHARE-BASED PAYMENTS CONTINUED

Share awards vested in 2021

During 2021, in accordance with the terms of the 2018 LTIP, shares totalling 291,578 were transferred to participants for $nil consideration. The performance conditions for the vesting of the share awards granted in 2018 are set out below.

As a result of the partial achievement of one of the two performance metrics over the three-year performance period from 2018 – 2021, 61.2% of the total share awards granted in 2018 vested during 2021.

Metric	Percentage of share awards under each metric	Range	Result	Percentage of shares to vest under each metric	Percentage of shares to vest
TSR	65%	50% – 100%	86.6%[a]	94.1%	61.2%
ROAIC	35%	9% – 14%	(1.9%)[b]	–	–
Total	**100%**				**61.2%**

(a) Subsea 7 ranked 3rd out of the 16 companies within the selected peer group (above the median but below the 90th percentile). This resulted in 94.1% vesting for the TSR portion – 61.18% of the total award.

(b) The average over the three-year performance period was (1.9%). This resulted in 0% vesting for the ROAIC portion.

Share awards granted in 2021

During 2021, initial grants comprising 1,234,000 (2020: 1,120,000) conditional awards of shares were made under the terms of the 2018 LTIP; 802,100 awards are subject to relative TSR performance measures and 431,900 are subject to ROAIC performance measures.

TSR based awards

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

ROAIC based awards

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

Under the terms of the awards LTIP participants are not entitled to receive dividend equivalent payments.

At 31 December 2021, there were approximately 100 participants in the LTIP schemes. Individual award caps are in place such that no senior executive or other employee may be granted shares under the LTIP in a single calendar year that have an aggregate fair market value in excess of 150%, in the case of senior executives, or 100%, in the case of other employees, of their annual base salary at the date of the award. Additionally, a holding requirement for senior executives applies where senior executives must hold 50% of all awards that vest until they have built up a shareholding with a fair value of 150% of their annual base salary which must be maintained throughout their tenure.

The IFRS 2 'Share-based Payments' fair value of each performance share granted under the 2013 and 2018 LTIP is estimated as of the grant date using a Monte Carlo simulation model with weighted average assumptions as follows:

For the year ended	**2021 31 Dec**	2020 31 Dec
Weighted average share price at grant date (in $)	**8.79**	8.61
TSR performance – Weighted average fair value at grant date (in $)	**4.90**	4.72
ROAIC performance – Weighted average fair value at grant date (in $)	**8.12**	7.96
Expected volatility	**55%**	54%
Risk free rate	**1.22%**	0.30%
Dividend yield	**2.00%**	2.00%

The expected share price volatility over the performance period is estimated from the Company's historical share price volatility. The award fair values were adjusted to recognise that participants are not entitled to receive dividend equivalent payments.

The non-market ROAIC performance condition is not incorporated into the grant date fair value of the ROAIC based awards. The value of each award will be adjusted at each reporting date to reflect the Group's current expectation of the number of performance shares which will vest under the non-market ROAIC performance condition.

Upon vesting, the Group will withhold an amount for an employee's tax obligation associated with a share-based payment and transfer that amount, in cash, to the relevant tax authority on the employee's behalf. In 2021, three plans vested in total, two plans vested under the LTIP 2013 scheme and a further plan vested under the 2018 scheme. The total estimated withholding tax transferred to the relevant tax authorities was $1.7 million (2020: $2.3 million). Of this total, $0.4 million was in relation to employee social security contributions and $1.3 million was in relation to income tax.

36. RETIREMENT BENEFIT OBLIGATIONS

The Group operates both defined contribution and defined benefit pension plans.

The Group's contributions under the defined contribution pension plans are determined as a percentage of individual employee's pensionable salaries. The expense relating to these plans for the year was $48.5 million (2020: $44.2 million).

Defined benefit plans

The Group operates both funded and unfunded defined benefit pension plans.

France

The defined benefit plan for France is called the *indemnités de fin de carrière* (retirement indemnity plan) and is pursuant to applicable French legislation and labour agreements in force in the industry. A lump-sum payment is made to employees upon retirement based on length of service, employment category and the employee's final salary. The obligation is unfunded and uninsured, as is standard practice in France. Since the retirement indemnity plan is based upon specific lengths of service, categories and values set by French legislation and collective agreements there is no specific trust or internal governance in place for this plan.

Norway

There are two Norwegian defined benefit pension plans which are known as the office (onshore) plan and the sailor plan.

The office (onshore) plan is a defined benefit scheme held with a life insurance company to provide pension benefits to the Group's employees. The scheme provides entitlement to benefits based on future service from the commencement date of the scheme. These benefits are principally dependent on an employee's pension qualifying period, salary at retirement age and the size of benefits from the Norwegian National Insurance Scheme. The scheme also includes entitlement to disability, spouses and children's pensions. The retirement age under the scheme is 67 years. The office (onshore) plan is closed to new members.

Effective 1 June 2021, the sailor plan, a separate tariff-rated pension scheme for offshore personnel, was terminated. The Group no longer has any obligations related to the sailor defined benefit pension plan and all assets and liabilities related to this plan were derecognised during the year ended 31 December 2021.

Under the plans, pensions are paid upon retirement based on the employee's length of service and final salary. The plans have been established in accordance with Norwegian legislation and are separately administered funds. Due to Norwegian legislation the pension scheme must provide an annual guaranteed return on investment, and consequently, the plan assets have a bias toward bonds rather than equities. While the pension company is responsible for administering the plan according to Norwegian law, the Group is obligated to have a steering committee for the plan. The steering committee considers and makes recommendations to the Group on matters relating to the plan, including but not limited to: composition of the investment portfolio, amendments to the scheme, administration and enforcement of the scheme, transfer of the scheme to another pension provider and termination of the scheme.

36. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Changes in the defined benefit obligation and fair value of plan assets

The following table provides a reconciliation of the changes in retirement benefit obligations and in the fair value of plan assets:

	Norway		France		Total	
(in $ millions)	**2021**	2020	**2021**	2020	**2021**	2020
Defined benefit obligation						
At year beginning	**(13.5)**	(16.4)	**(12.2)**	(12.5)	**(25.7)**	(28.9)
Amounts (charged)/credited to the Consolidated Income Statement:						
Service costs	**–**	(0.2)	**(1.0)**	(1.0)	**(1.0)**	(1.2)
Past service credit	**5.7**	1.9	**1.5**	–	**7.2**	1.9
Interest costs	**(0.1)**	(0.2)	**(0.1)**	(0.1)	**(0.2)**	(0.3)
Curtailments	**–**	–	**–**	2.8	**–**	2.8
Employee taxes	**(0.1)**	–	**–**	–	**(0.1)**	–
Sub-total	**5.5**	1.5	**0.4**	1.7	**5.9**	3.2
Remeasurement gains/(losses) recognised in other comprehensive income:						
Actuarial changes arising from changes in demographic assumptions	**–**	–	**0.5**	(0.4)	**0.5**	(0.4)
Actuarial changes arising from changes in financial assumptions	**–**	–	**–**	(0.1)	**–**	(0.1)
Experience adjustments	**(0.7)**	0.8	**0.4**	0.2	**(0.3)**	1.0
Sub-total	**(0.7)**	0.8	**0.9**	(0.3)	**0.2**	0.5
Benefits paid	**0.2**	0.7	**0.2**	0.1	**0.4**	0.8
Exchange differences	**(0.1)**	(0.1)	**1.0**	(1.2)	**0.9**	(1.3)
At year end	**(8.6)**	(13.5)	**(9.7)**	(12.2)	**(18.3)**	(25.7)
Fair value of plan assets						
At year beginning	**12.2**	14.0	**–**	–	**12.2**	14.0
Amounts (charged)/credited to the Consolidated Income Statement:						
Past service credit	**(6.5)**	(1.4)	**–**	–	**(6.5)**	(1.4)
Interest income	**0.1**	0.2	**–**	–	**0.1**	0.2
Sub-total	**(6.4)**	(1.2)	**–**	–	**(6.4)**	(1.2)
Remeasurement gains/(losses) recognised in other comprehensive income:						
Return on plan assets (excluding amounts in interest income)	**0.4**	–	**–**	–	**0.4**	–
Administrative expenses	**(0.1)**	(0.2)	**–**	–	**(0.1)**	(0.2)
Sub-total	**0.3**	(0.2)	**–**	–	**0.3**	(0.2)
Employer and participant contributions	**–**	0.1	**–**	–	**–**	0.1
Benefits paid	**(0.2)**	(0.7)	**–**	–	**(0.2)**	(0.7)
Exchange differences	**0.1**	0.2	**–**	–	**0.1**	0.2
At year end	**6.0**	12.2	**–**	–	**6.0**	12.2
Net defined benefit obligation	**(2.6)**	(1.3)	**(9.7)**	(12.2)	**(12.3)**	(13.5)
Presented as:						
Retirement benefit assets	**–**	0.8	**–**	–	**–**	0.8
Retirement benefit obligations	**(2.6)**	(2.1)	**(9.7)**	(12.2)	**(12.3)**	(14.3)
Total	**(2.6)**	(1.3)	**(9.7)**	(12.2)	**(12.3)**	(13.5)

The retirement benefit assets of $nil (2020: $0.8 million) and retirement benefit obligations of $12.3 million (2020: $14.3 million) for pension schemes which are in deficit in Norway and France are recognised as non-current assets and non-current liabilities respectively within the Consolidated Balance Sheet.

Unfunded schemes

Included within the defined benefit obligation are amounts arising from unfunded French plans with a total obligation of $9.7 million (2020: $12.2 million).

Funded schemes

The Norwegian schemes are funded through a separately administered investment fund. The fair value of the Norwegian scheme assets were as follows:

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Investments quoted in active markets		
Quoted equity investments	**0.7**	1.3
Unquoted investments		
Bonds	**2.9**	6.5
Property	**1.1**	1.9
Other	**1.3**	2.5
Total	**6.0**	12.2

Future cash flows

The estimated contributions expected to be paid into the French and Norwegian plans during 2022 are $0.5 million (2021: $1.3 million).

The average remaining service periods were as follows:

At (in years)	**2021 31 Dec**	2020 31 Dec
Norway office (onshore) plan	**3.0**	6.0

Significant actuarial assumptions

The principal assumptions used to determine the present value of the defined benefit obligation were as follows:

Year ended 31 December 2021

(in %)	**Norway**	**France**
Pension increase	**0.0 – 2.25**	**–**
Discount rate	**2.5**	**0.9**
Future salary increase	**2.0**	**3.0**

Year ended 31 December 2020

(in %)	Norway	France
Pension increase	0.0 – 1.75	–
Discount rate	1.5	0.5
Future salary increase	2.0	2.0

36. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

Assumptions regarding future mortality are set based on advice in accordance with published statistics and experience. The average life expectancies in years of a pensioner retiring at the plan retirement age for participants in the Norway office (onshore) plan are shown below.

	Retirement age	Sex	**2021 31 Dec**	2020 31 Dec
Norway office (onshore) plan	67 years	Male	**23.8**	17.9
	67 years	Female	**26.1**	25.1

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions at 31 December 2021 is shown below. The sensitivity analysis has been determined based on a method that extrapolates the impact on the net defined benefit obligation ((increase)/decrease) as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

Norway – office plan

(in $ millions)	**Pension increase**		**Discount rate**		**Future salary increase**	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on the net defined benefit obligation	**(0.2)**	**0.2**	**0.2**	**(0.2)**	**–**	**–**

France

(in $ millions)	**Discount rate**	
Sensitivity level	0.25% increase	0.25% decrease
Impact on the net defined benefit obligation	**0.3**	**(0.3)**

37. DEFERRED REVENUE

At (in $ millions)	**2021 31 Dec**	2020 31 Dec
Advances received from clients	**0.9**	2.4

Advances received from clients include amounts received before the related work is performed on day-rate contracts and amounts paid by clients in advance of work commencing on fixed-price contracts.

38. CASH FLOW FROM OPERATING ACTIVITIES

For the year ended (in $ millions)	Notes	**2021 31 Dec**	2020 31 Dec
Cash flow from operating activities:			
Income/(loss) before taxes		**100.7**	(1,071.9)
Adjustments for non-cash items:			
Impairment of goodwill	13	**–**	605.4
Amortisation of intangible assets	14	**14.7**	14.7
Impairment of intangible assets	14	**4.8**	9.2
Depreciation of property, plant and equipment	15	**341.1**	334.9
Impairment of property, plant and equipment	15	**4.1**	282.0
Amortisation of right-of-use assets	16	**78.5**	82.1
Impairment of right-of-use assets	16	**0.2**	31.9
Reversal of impairment of right-of-use assets	16	**(3.7)**	–
Amortisation of mobilisation costs	6	**9.5**	10.7
Adjustments for investing and financing items:			
Gain on recognition of assets related to business combinations – post measurement period	7	**–**	(15.5)
Share of net (income)/loss of associates and joint ventures	17	**(3.9)**	0.5
Net (gain)/loss on disposal of property, plant and equipment	7	**(3.0)**	0.2
Net gain on maturity of lease liabilities		**(0.2)**	(1.8)
Finance income	8	**(4.7)**	(4.8)
Finance costs	8	**20.1**	24.6
Adjustments for equity items:			
Share-based payments	35	**3.9**	4.2
		562.1	306.4
Changes in operating assets and liabilities:			
(Increase)/decrease in inventories		**(9.3)**	4.3
Increase in operating receivables		**(416.5)**	(88.5)
Increase in operating liabilities		**224.2**	276.3
		(201.6)	192.1
Income taxes paid		**(67.5)**	(51.7)
Net cash generated from operating activities		**293.0**	446.8

39. POST BALANCE SHEET EVENTS

Regular dividend
The Board of Directors will recommend to the shareholders at the Annual General Meeting on 12 April 2022 that a regular dividend of NOK 1.00 per share be paid, equivalent to a total dividend of approximately $33 million, marking the Board's confidence in the financial position and outlook for the Group.

Repayment of borrowings
On 18 January 2022, the Group repaid in full the amount outstanding under the Seaway 7 ASA Revolving Credit Facility of $37.0 million.

40. WHOLLY-OWNED SUBSIDIARIES

Subsea 7 S.A. had the following wholly-owned subsidiaries at 31 December 2021.

Name	Registered in	Nature of business
4Subsea AS	Norway	General Trading
4Subsea Astori AS	Norway	General Trading
4Subsea Do Brasil Projetos e Servicos de Integridade Subsea Ltda	Brazil	General Trading
4Subsea UK Limited	United Kingdom	General Trading
Acergy B.V.	Netherlands	Holding
Acergy France S.A.S.	France	General Trading
Acergy Holdings (Gibraltar) Limited[(a)]	Gibraltar	Special Purpose
Aquarius Solutions Inc.	Canada	General Trading
Aurora Environmental Limited	United Kingdom	General Trading
Subsea 7 Saudi Arabia Limited	Saudi Arabia	General Trading
Globestar FZE	Nigeria	General Trading
Green Light Environment Pty Limited	Australia	General Trading
Ocean Geo Solutions, Inc.	US	General Trading
Pelagic Nigeria Limited	Nigeria	Holding
Pioneer Lining Technology Limited	United Kingdom	General Trading
PT. Subsea 7 Manufaktur Indonesia	Indonesia	General Trading
Seaway Heavy Lifting Holding Limited	Cyprus	Holding
Subsea 7 Servicos Offshore S.A.	Brazil	Holding
Sevenseas Contractors S. de R.L. de C.V.	Mexico	General Trading
SHL Contracting B.V.	Netherlands	General Trading
SO France S.A.	France	Special Purpose
Subsea 7 (ME) Pte Limited	Singapore	General Trading
Subsea 7 (Singapore) Pte Limited	Singapore	General Trading
Subsea 7 (UK Service Company) Limited[(a)]	United Kingdom	Corporate Service
Subsea 7 (US) LLC	US	General Trading
Subsea 7 Angola S.A.S.	France	Special Purpose
Subsea 7 Asia Pacific Sdn Bhd	Malaysia	Special Purpose
Subsea 7 Australia Contracting Pty Ltd	Australia	General Trading
Subsea 7 Canada Inc.	Canada	General Trading
Subsea 7 Chartering (UK) Limited	United Kingdom	General Trading

Name	Registered in	Nature of business
Subsea 7 Blue Space Limited	United Kingdom	General Trading
Subsea 7 Blue Space Investments S.A.S.	France	General Trading
Subsea 7 Crewing Limited	United Kingdom	Special Purpose
Subsea 7 Crewing Services Pte. Ltd.	Singapore	General Trading
Subsea 7 Deep Sea Limited	United Kingdom	General Trading
Subsea 7 do Brasil Serviços Ltda	Brazil	General Trading
Subsea 7 Engineering Limited	United Kingdom	General Trading
Subsea 7 Finance (UK) PLC	United Kingdom	Special Purpose
Subsea 7 Holding Inc.	Cayman Islands	Holding
Subsea 7 Holding Norway AS	Norway	Holding
Subsea 7 Holdings (UK) Limited	United Kingdom	Holding
Subsea 7 Holdings (US) Inc.	US	Holding
Subsea 7 International Contracting Limited	United Kingdom	General Trading
Subsea 7 International Holdings (UK) Limited[a]	United Kingdom	Holding
Subsea 7 i-Tech Australia Pty Limited	Australia	General Trading
Subsea 7 i-Tech do Brasil Serviços Ltda	Brazil	Dormant
Subsea 7 i-Tech Limited	United Kingdom	General Trading
Subsea 7 i-Tech Mexico S. de R.L. de C.V.	Mexico	General Trading
Subsea 7 i-Tech Norway AS	Norway	General Trading
Subsea 7 i-Tech US Inc.	US	General Trading
Subsea 7 Limited	United Kingdom	General Trading
Subsea 7 Luanda Ltd	Gibraltar	General Trading
Subsea 7 Marine (US) Inc.	US	Dormant
Subsea 7 Marine LLC	US	General Trading
Subsea 7 Mexico S. de R.L. de C.V.	Mexico	General Trading
Subsea 7 Moçambique, Limitada	Mozambique	General Trading
Subsea 7 Navica AS	Norway	Vessel Owning
Subsea 7 Nigeria Limited	Nigeria	General Trading
Subsea 7 Nile Delta Limited	Egypt	General Trading
Subsea 7 Norway AS	Norway	General Trading
Subsea 7 Offshore Resources (UK) Limited	United Kingdom	Vessel Owning
Subsea 7 Pipeline Production Limited	United Kingdom	General Trading
Subsea 7 Port Isabel LLC	US	General Trading
Subsea 7 Portugal Unipessoal Limitada	Portugal	General Trading
Subsea 7 Senegal SAS	Senegal	General Trading
Subsea 7 Services (Singapore) Pte Limited	Singapore	General Trading
Subsea 7 Shipping Limited	Isle of Man	Vessel Owning
Subsea 7 Singapore Contracting Pte Limited	Singapore	General Trading
Subsea 7 Treasury (UK) Limited	United Kingdom	Special Purpose
Subsea 7 Vessel Owner AS	Norway	Vessel Owning
Subsea 7 West Africa Contracting Limited	United Kingdom	General Trading
Subsea 7 West Africa S.A.S.	France	General Trading
Swagelining Limited	United Kingdom	General Trading
Tartaruga Insurance Limited	Isle of Man	Special Purpose
Thames International Enterprise Limited	United Kingdom	Special Purpose
Xodus Academy Limited	United Kingdom	General Trading
Xodus DMCC	United Arab Emirates	General Trading
Xodus Group (Holdings) Limited	United Kingdom	Holding
Xodus Group A/S	Norway	Dormant
Xodus Group Japan	Japan	General Trading
Xodus Oil and Gas Consultants (Pty) Limited	South Africa	General Trading

40. WHOLLY-OWNED SUBSIDIARIES CONTINUED

Name	Registered in	Nature of business
Xodus Group B.V.	Netherlands	General Trading
Xodus Group Consultants Sdn. Bhd	Malaysia	General Trading
Xodus Group Inc	United States	General Trading
Xodus Group Limited	United Kingdom	General Trading
Xodus Group Pty Limited	Australia	General Trading
ZNM Nigeria Limited	Nigeria	Dormant

(a) Wholly-owned subsidiaries directly owned by the parent company, Subsea 7 S.A.

For all entities, the principal place of business is consistent with the place of registration.

All subsidiary undertakings are included in the Consolidated Financial Statements of the Group. The proportion of the voting rights in the subsidiary undertakings held directly by the immediate parent company do not differ from the proportion of shares held. The parent company does not have any shareholdings in the preference shares of subsidiary undertakings included in the Group.

Details of the addresses of the registered office of each of the wholly-owned subsidiaries are available on request from Subsea 7 S.A., registered office, 412F, route d'Esch, L-2086 Luxembourg.

ADDITIONAL INFORMATION – EBITDA

ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

Adjusted earnings before interest, taxation, depreciation and amortisation (Adjusted EBITDA) is a non-IFRS measure that represents net income before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. The Group defines Adjusted EBITDA as net income adjusted to exclude depreciation and amortisation costs including amortisation of prepaid mobilisation expenses and amortisation of intangible assets, impairment charges or impairment reversals, finance income, remeasurement gains and losses on business combinations, other gains and losses (including foreign exchange gains and losses, gains on disposal of subsidiaries, gains and losses resulting from remeasurement of contingent consideration, gains on distributions and bargain purchase gains on business combinations), finance costs and taxation. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage.

The items excluded from Adjusted EBITDA represent items which are individually or collectively material but which are not considered representative of the performance of the business during the periods presented. Other gains and losses principally relate to disposals of investments, property, plant and equipment and net foreign exchange gains or losses. Impairments of assets represent the excess of the assets' carrying amount over the amount that is expected to be recovered from their use in the future or their sale.

Adjusted EBITDA and Adjusted EBITDA margin are not recognised as a measurement of performance under IFRS as adopted by the EU. These measures exclude items that can have a significant effect on the Group's income or loss and therefore should not be considered as an alternative to, or more meaningful than, net income or loss (as determined in accordance with IFRS) as a measure of the Group's operating results or cash flows from operations (as determined in accordance with IFRS) as a measure of the Group's liquidity.

Management believes that Adjusted EBITDA and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the Group. These non-IFRS measures provide management with a meaningful comparative for its business units, as they eliminate the effects of financing, depreciation, amortisation, impairments, taxation and other one-off adjustments to the Consolidated Income Statement. Management believes that the presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea 7's peer group and therefore believes it to be a helpful calculation for those evaluating companies within Subsea 7's industry. Adjusted EBITDA margin may also be a useful ratio to compare performance to its competitors and is widely used by shareholders and analysts who monitor the Group's performance. Notwithstanding the foregoing, Adjusted EBITDA and Adjusted EBITDA margin as presented by the Group may not be comparable to similarly titled measures reported by other companies.

Reconciliation of net operating income/(loss) to Adjusted EBITDA and Adjusted EBITDA margin:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Net operating income/(loss)	**71.7**	(1,033.8)
Depreciation, amortisation and mobilisation	**443.8**	442.4
Impairment of goodwill	**–**	605.4
Impairment of intangible assets	**4.8**	9.2
Impairment of property, plant and equipment	**4.1**	282.0
Net impairment of right-of-use assets	**(3.5)**	31.9
Adjusted EBITDA	**520.9**	337.1
Revenue	**5,010.0**	3,466.4
Adjusted EBITDA %	**10.4%**	9.7%

Reconciliation of net income/(loss) to Adjusted EBITDA and Adjusted EBITDA margin:

For the year ended (in $ millions)	**2021 31 Dec**	2020 31 Dec
Net income/(loss)	**36.4**	(1,105.2)
Depreciation, amortisation and mobilisation	**443.8**	442.4
Impairment of goodwill	**–**	605.4
Impairment of intangible assets	**4.8**	9.2
Impairment of property, plant and equipment	**4.1**	282.0
Net impairment of right-of-use assets	**(3.5)**	31.9
Finance income	**(4.7)**	(4.8)
Other gains and losses	**(44.4)**	18.3
Finance costs	**20.1**	24.6
Taxation	**67.9**	33.3
Adjusted EBITDA	**520.9**	337.1
Revenue	**5,010.0**	3,466.4
Adjusted EBITDA %	**10.4%**	9.7%