Subsea 7 S.A. Consolidated Financial Statements for year ended 31 December 2022

Report of the Réviseur d'Entreprises Agréé

To the Shareholders of Subsea 7 S.A.
412F, route d'Esch
L-1471 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 pages 80 to 142, which comprise the Consolidated Balance Sheet as at 31 December 2022, 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 as at 31 December 2022, 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 ("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 as adopted for Luxembourg by the CSSF 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 International Code of Ethics for Professional Accountants, including 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 year. 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 is 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 variable consideration, to recognise in line with the stage of contract completion; • forecast the profit margin on each contract incorporating appropriate contingency and 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 recognised 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, 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 contracts and those which are subject to estimation uncertainty, 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 and correspondence with legal advisors; • discussed and understood management's estimates for total contract costs and forecast costs-to-complete, considering the impact of cost inflation, and taking into account the historical accuracy of such estimates; • discussed and understood management's estimates in recognising actual or potential variation orders, 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.

Key audit matter:	Vessel fleet impairment assessments
Description of key audit matter:	The Subsea7 vessel fleet comprises owned and leased vessels. At 31 December 2022, the carrying amount of the owned vessel fleet was $3.6 billion and the carrying amount of right-of-use assets related to leased vessels was $175.6 million as detailed in Note 15 'Property, plant and equipment' and Note 16 'Right-of-use assets' to the Consolidated Financial Statements. During the year an impairment reversal of $18.3 million was recognised on one of the Group's owned vessels. 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.
Our response:	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 obtained an understanding of management's rationale for the impairment reversal and assessed it for appropriateness against the reversal criteria as per IAS 36, and critically assessed if any further impairment reversal triggers of the vessel fleet existed. We assessed the completeness and the accuracy of the impairment reversal 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 and impairment reversals of owned vessels and right-of-use assets related to leased vessels in the Consolidated Financial Statements.

Key audit matter:	Goodwill impairment assessments
Description of key audit matter:	As detailed in Note 13 ‘Goodwill’, the Consolidated Financial Statements include $191.3 million of goodwill at 31 December 2022. Goodwill is subject to an annual review for impairment or when indicators of impairment exist. An estimate of the recoverable amount of the cash-generating units (CGU) to which goodwill is allocated is prepared. The estimated recoverable amount is determined based on the calculation of the value-in-use of the CGUs. The outcome of the impairment review could vary significantly if different assumptions were applied in the models. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows with many of the key underlying assumptions being impacted by political and economic factors. The key assumptions include: • the future Adjusted EBITDA assumptions taken from the Group’s most recent budgets and plans for the next five years approved by management (“the Plan”); • the long-term growth rate used beyond the period covered by the Plan; • the pre-tax discount rate applied to future cash flows; and • the forecast capital expenditure necessary to maintain the function of the assets in the CGU. The risk of material misstatement is that the carrying amount of goodwill could be overstated.
Our response:	We understood the internal controls for the goodwill impairment process including the determination of assumptions used within the models to assess the recoverable amount of goodwill and evaluated the appropriateness of management’s identification of the Group’s CGUs. We assessed management’s impairment testing by obtaining the supporting model and assessing the methodology and key assumptions made: • future Adjusted EBITDA forecasts – we evaluated these and tested the underlying values used in the calculations by comparing management’s forecast to the latest management approved five-year plan. We assessed the actual performance in the year against the prior year budgets to evaluate historical forecasting accuracy; • long-term growth rate – we compared the rates applied by management to available externally developed rates; • pre-tax discount rates – we involved our valuations specialists in our evaluation of the discount rate to consider the appropriateness of the rates used; • we assessed the level of forecast capital expenditures necessary to maintain the function of the assets in the CGUs; and • we tested the arithmetical accuracy of the models. Given the significance of the terminal value cash flows to the total value-in-use we paid particular attention to the assumptions as regards sustainable Adjusted EBITDA levels and compared these to expected and historical levels. We re-performed sensitivity analysis around the key assumptions for all CGUs in order to ascertain the extent of change in those assumptions required individually or collectively to result in an impairment of goodwill. For those CGUs which were most sensitive, we discussed the basis for these cash flows with management and the Group’s Audit Committee. We examined the sensitivity disclosures presented in the Consolidated Financial Statements to consider whether reasonably possible changes to assumptions that could lead to a material impairment had been disclosed. We assessed the adequacy of the disclosures in Note 13 ‘Goodwill’ to the Consolidated Financial Statements.

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 65 to 70, the Corporate Governance Statement from pages 43 to 63 and the Additional Information from pages 143 to 149 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 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 12 April 2022 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is nine years.

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

The accompanying corporate governance statement on pages 43 to 63 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 2022 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; and
- 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 2022, identified as 222100AIF0CBCY80AH62-2022-12-31, 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

Alban Aubrée
Luxembourg, 2 March 2023

Consolidated Income Statement

For the year ended (in $ millions, except per share data)	Notes	**2022 31 Dec**	2021 31 Dec
Revenue	5	**5,135.8**	5,010.0
Operating expenses	6	**(4,794.4)**	(4,714.2)
Reversal of impairment of property, plant and equipment	15	**55.6**	–
Gross profit		**397.0**	295.8
Administrative expenses	6	**(245.2)**	(228.0)
Share of net (loss)/income of associates and joint ventures	17	**(3.0)**	3.9
Net operating income		**148.8**	71.7
Finance income	8	**9.0**	4.7
Other gains and losses	7	**1.9**	44.4
Finance costs	8	**(23.4)**	(20.1)
Income before taxes		**136.3**	100.7
Taxation	9	**(99.9)**	(64.3)
Net income		**36.4**	36.4
Net income attributable to:			
Shareholders of the parent company		**57.1**	31.8
Non-controlling interests	27	**(20.7)**	4.6
		36.4	36.4

Earnings per share	Notes	**$ per share**	$ per share
Basic	11	**0.20**	0.11
Diluted[(a)]	11	**0.19**	0.11

(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	**2022 31 Dec**	2021 31 Dec
Net income		**36.4**	36.4
Items that may be reclassified to the income statement in subsequent periods:			
Net foreign currency translation losses		**(50.9)**	(4.9)
Commodity cash flow hedges		**(9.0)**	12.8
Tax relating to components of other comprehensive income	9	**5.1**	(2.8)
Items that will not be reclassified to the income statement in subsequent periods:			
Remeasurement gains on defined benefit pension schemes	37	**3.1**	0.5
Tax relating to remeasurement gains on defined benefit pension schemes	9	**(0.7)**	(0.1)
Fair value adjustment on other financial assets	34	**–**	1.2
Other comprehensive (loss)/income		**(52.4)**	6.7
Total comprehensive (loss)/income		**(16.0)**	43.1
Total comprehensive (loss)/ income attributable to:			
Shareholders of the parent company		**7.4**	40.4
Non-controlling interests		**(23.4)**	2.7
		(16.0)	43.1

Consolidated Balance Sheet

At (in $ millions)	Notes	2022 31 Dec	(Revised) 2021 31 Dec
Assets			
Non-current assets			
Goodwill	13	**191.3**	197.2
Intangible assets	14	**31.1**	35.0
Property, plant and equipment	15	**3,922.0**	4,081.0
Right-of-use assets	16	**242.0**	206.4
Interest in associates and joint ventures	17	**25.5**	28.6
Advances and receivables	18	**65.9**	57.4
Derivative financial instruments	34	**5.3**	24.7
Construction contracts – assets	23	**–**	4.4
Other financial assets	34	**1.1**	1.3
Deferred tax assets	9	**38.7**	58.7
		4,522.9	4,694.7
Current assets			
Inventories	19	**49.5**	40.3
Trade and other receivables	20	**586.2**	631.8
Current tax assets	20	**61.1**	24.1
Derivative financial instruments	34	**16.7**	35.8
Assets classified as held for sale	21	**45.5**	–
Construction contracts – assets	23	**807.7**	788.2
Other accrued income and prepaid expenses	22	**204.6**	204.5
Restricted cash		**4.4**	5.7
Cash and cash equivalents	24	**645.6**	597.6
		2,421.3	2,328.0
Total assets		**6,944.2**	7,022.7
Equity			
Issued share capital	25	**600.0**	600.0
Treasury shares	26	**(75.0)**	(32.9)
Paid in surplus		**2,503.2**	2,503.9
Translation reserve		**(628.0)**	(582.5)
Other reserves		**(18.4)**	(14.2)
Retained earnings		**1,739.8**	1,709.5
Equity attributable to shareholders of the parent company		**4,121.6**	4,183.8
Non-controlling interests	27	**329.1**	304.5
Total equity		**4,450.7**	4,488.3
Liabilities			
Non-current liabilities			
Borrowings	28	**302.2**	360.3
Lease liabilities	29	**161.2**	142.9
Retirement benefit obligations	37	**9.2**	12.3
Deferred tax liabilities	9	**54.4**	46.0
Provisions	32	**47.7**	85.0
Contingent liabilities recognised	33	**0.4**	5.5
Derivative financial instruments	34	**28.7**	5.7
Other non-current liabilities	30	**5.3**	6.1
		609.1	663.8
Current liabilities			
Trade and other liabilities	31	**1,270.4**	1,352.5
Derivative financial instruments	34	**7.2**	23.7
Current tax liabilities		**49.3**	41.5
Borrowings	28	**53.8**	61.6
Lease liabilities	29	**95.8**	88.0
Provisions	32	**87.0**	96.7
Construction contracts – liabilities	23	**319.4**	205.7
Deferred revenue	38	**1.5**	0.9
		1,884.4	1,870.6
Total liabilities		**2,493.5**	2,534.4
Total equity and liabilities		**6,944.2**	7,022.7

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(in $ millions)	Issued share capital	Treasury shares	Paid in surplus	Translation reserve	Other reserves	Retained earnings	Total	(Revised) Non-controlling interests	(Revised) Total equity
Balance at 1 January 2022	**600.0**	**(32.9)**	**2,503.9**	**(582.5)**	**(14.2)**	**1,709.5**	**4,183.8**	**304.5**	**4,488.3**
Comprehensive income/(loss)									
Net income/(loss)	–	–	–	–	–	57.1	57.1	(20.7)	36.4
Net foreign currency translation losses	–	–	–	(48.2)	–	–	(48.2)	(2.7)	(50.9)
Commodity cash flow hedges	–	–	–	–	(9.0)	–	(9.0)	–	(9.0)
Remeasurement gains on defined benefit pension schemes	–	–	–	–	3.1	–	3.1	–	3.1
Tax relating to components of other comprehensive income	–	–	–	2.7	1.7	–	4.4	–	4.4
Total comprehensive (loss)/income	**–**	**–**	**–**	**(45.5)**	**(4.2)**	**57.1**	**7.4**	**(23.4)**	**(16.0)**
Transactions with owners									
Shares repurchased	–	(46.0)	–	–	–	–	(46.0)	–	(46.0)
Dividends declared	–	–	–	–	–	(33.6)	(33.6)	–	(33.6)
Share-based payments	–	–	3.5	–	–	–	3.5	–	3.5
Vesting of share-based payments	–	–	(4.4)	–	–	4.4	–	–	–
Tax effects	–	–	0.2	–	–	–	0.2	–	0.2
Shares reallocated relating to share-based payments	–	3.9	–	–	–	(3.9)	–	–	–
Reclassification adjustment relating to ownership interests	–	–	–	–	–	6.3	6.3	(6.3)	–
Non-controlling interest share issuance	–	–	–	–	–	–	–	54.3	54.3
Total transactions with owners	**–**	**(42.1)**	**(0.7)**	**–**	**–**	**(26.8)**	**(69.6)**	**48.0**	**(21.6)**
Balance at 31 December 2022	**600.0**	**(75.0)**	**2,503.2**	**(628.0)**	**(18.4)**	**1,739.8**	**4,121.6**	**329.1**	**4,450.7**

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 gains 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 (loss)/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**
Adjustments to provisional amounts recognised (Note 12)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.9)**	**(0.9)**
Balance at 31 December 2021 (revised)	**600.0**	**(32.9)**	**2,503.9**	**(582.5)**	**(14.2)**	**1,709.5**	**4,183.8**	**304.5**	**4,488.3**

Consolidated Cash Flow Statement

(in $ millions)	Notes	**2022 31 Dec**	2021 31 Dec
Operating activities			
Income before taxes		**136.3**	100.7
Adjustments for non-cash items:			
Impairment of property, plant and equipment, right-of-use and intangible assets	14,15,16	**2.3**	9.1
Reversal of impairment of property, plant and equipment and right-of-use assets	15,16	**(59.3)**	(3.7)
Depreciation and amortisation charges	6	**467.6**	443.8
Adjustments for investing and financing items:			
Share of net loss/(income) of associates and joint ventures	17	**3.0**	(3.9)
Net gain on disposal of property, plant and equipment	7	**(0.3)**	(3.0)
Net gain on maturity of lease liabilities	7	**(2.2)**	(0.2)
Release of contingent consideration post measurement period	33	**(3.8)**	–
Finance income	8	**(9.0)**	(4.7)
Finance costs	8	**23.4**	20.1
Adjustments for equity items:			
Share-based payments	36	**3.5**	3.9
		561.5	562.1
Changes in working capital:			
Increase in inventories		**(9.7)**	(9.3)
Increase in trade and other receivables		**(20.7)**	(93.0)
Increase in construction contract – assets		**(14.5)**	(334.8)
Decrease/(increase) in other working capital assets		**4.2**	(18.4)
(Decrease)/increase in trade and other liabilities		**(26.3)**	408.9
Increase/(decrease) in construction contract – liabilities		**144.6**	(71.7)
Decrease in other working capital liabilities		**(50.1)**	(83.3)
Net decrease/(increase) in working capital		**27.5**	(201.6)
Income taxes paid		**(103.2)**	(67.5)
Net cash generated from operating activities		**485.8**	293.0
Cash flows used in investing activities			
Proceeds from disposal of property, plant and equipment		**0.8**	6.6
Purchases of property, plant and equipment and intangible assets		**(231.0)**	(166.5)
Acquisition of businesses (net of cash acquired)		**–**	4.5
Interest received	8	**9.0**	4.7
Loan to joint venture		**–**	(33.0)
Repayment of loan to joint venture		**1.1**	1.8
Proceeds from sale of other financial assets		**–**	2.8
Repayment of advances from joint ventures		**–**	(3.0)
Investment in other financial assets		**–**	(1.6)
Net cash used in investing activities		**(220.1)**	(183.7)
Cash flows used in financing activities			
Interest paid		**(15.8)**	(12.1)
Repayment of borrowings		**(61.6)**	(24.6)
Proceeds from borrowings		**–**	200.0
Proceeds from rights issue in non-wholly-owned subsidiary		**54.6**	–
Cost of share repurchases	26	**(46.0)**	(21.0)
Payments related to lease liabilities – principal	29	**(99.4)**	(86.4)
Payments related to lease liabilities – interest	8,29	**(11.3)**	(6.7)
Dividends paid to shareholders of the parent company	10	**(31.7)**	(72.0)
Net cash used in financing activities	34	**(211.2)**	(22.8)
Net decrease in cash and cash equivalents		**54.5**	86.5
Cash and cash equivalents at beginning of year	24	**597.6**	511.6
Decrease in restricted cash		**1.3**	1.4
Effect of foreign exchange rate movements on cash and cash equivalents		**(7.8)**	(1.9)
Cash and cash equivalents at end of year	24	**645.6**	597.6

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-1471 Luxembourg.

Subsea7 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 2022.

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 wind 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 1 March 2023.

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 2021, except where noted in Note 2 'Adoption of new accounting standards'.

During 2022, the Group identified adjustments to provisional amounts recognised in relation to business combinations entered into during 2021. The adjustments were identified during the relevant measurement periods and related to facts and circumstances which existed at the date of acquisition; as a result, 2021 comparative information has been revised as if the accounting had been completed at the acquisition dates.

Going concern

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

Management continues to monitor the potential operational, market and financial impacts to the Group of the Covid-19 pandemic, and implement mitigating measures where appropriate. Management has concluded 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 2022, the Group incurred net Covid-19 costs of approximately $24.8 million (2021: $27.0 million) related to factors such as additional vessel crew change-over times and costs and additional operational costs as a result of supply chain and travel restrictions. Management will continue to work with its clients and suppliers to mitigate the impacts of Covid-19 on operations.

The Group retained a strong cash position with cash and cash equivalents of $645.6 million at 31 December 2022. Total borrowings at 31 December 2022 were $356.0 million, in relation to the Group's South Korean Export Credit Agency and UK Export Finance facilities. The Group's $700.0 million multi-currency revolving credit and guarantee facility remained unutilised. The Group ended the year with backlog of $9.0 billion, an increase of $1.8 billion compared to 31 December 2021, reflecting improving market conditions. Management considers that the Group will generate sufficient cash flow and have access to adequate liquidity 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 severe but plausible downside scenarios. These include scenarios which reflect extended periods of low energy prices and potential operational-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.

Measurement and disclosure of climate-related matters

In order to meet the specific disclosure requirements contained within individual IFRS standards, management has evaluated and provided relevant information to permit users to assess how material climate-related matters were considered in preparing the Group's Consolidated Financial Statements. Disclosure is included in the Strategic Report detailing the Group's assessment of the potential impact of climate change, based on the Task Force on Climate-related Financial Disclosures (TCFD). In addition the Group's Sustainability Report also provides consistent, comparable and reliable information to investors on climate-related risks and opportunities.

The Group's current assessment of the range of economic and climate-related conditions that could exist in transitioning to a low-carbon economy are reflected in the Group's Five-year Plan. These considerations may impact certain significant judgements and key estimates, including valuation of assets, value-in-use calculations and potential impairments and impairment reversals.

This also includes the estimation of remaining useful economic life of assets and residual values applicable to key vessels in particular. Estimating future global energy demand and supply is challenging as is the pace of future technological change, customer and competitor behaviour, political developments and government actions that will impact the Group's operations. Assumptions can change which could impact current projected scenarios.

Assumptions, estimates and judgements were made in relation to:

- property, plant and equipment – useful economic life and residual values of vessels are reviewed annually. No amendments were made to useful life or indicators of impairment identified as a direct result of climate-related matters for the year ended 31 December 2022 (2021: none). It is expected that oil and gas will continue to represent a notable, although declining, component of the energy mix until at least 2050 during the transition to sustainable lower-carbon energy. The Group is in a strong position to utilise its vessels for oil and gas development and adapt vessels, if required, for initiatives such as carbon capture. Typically new build vessels are depreciated over 25 years, but a vessel can continue to be utilised beyond this period with appropriate levels of capital expenditure, including hybridisation. New vessels currently under construction for the Renewables business unit are expected to contribute significantly to the Group's 'Make Possible' strategy which includes renewables and emerging energies. Future developments, such as the impact of climate-related matters on the economic or legal environment, are considered by management when assessing residual values and indicators of impairment or impairment reversal. Further information is included within the 'Impairment of non-financial assets' accounting policy in Note 3 'Significant accounting policies'.
- cash-generating unit (CGU) impairment modelling and goodwill impairment test – the Group's Five-year Plan is utilised to determine present values of future cash flows for each CGU. Significant management judgement is required in the preparation of this plan, with economic conditions impacting assumptions utilised and discount rates. Uncertainty around future climate-related risks continue to be monitored including policy, regulatory, legal, technological, market and societal considerations. The present value of future cash flows is most sensitive to the terminal value assumptions – management considers these assumptions represent an appropriate balance between the oil and gas-related business and the growing renewables sector within the transition to a lower-carbon economy. Further information is included within Note 13 'Goodwill'.
- fair value measurement – climate-related assessments were undertaken by management in relation to vessels held for sale in accordance with the criteria of IFRS 5 'Non-current assets held for sale and discontinued operations'. Management concluded that climate-related considerations did not result in any modification to the fair value exercise, taking into consideration the differing potential utilisations of the vessels, the age of the vessels and the expectation of timing towards a lower-carbon future.
- expected credit losses (ECLs) – physical and transition risks were considered in terms of probability of default and concentration risk. The Group's modelling of ECLs was unchanged as a result of climate-related matters for the year ended 31 December 2022. Management considers this area to be judgemental and has established governance processes to support future calculations.

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 2022. Several amendments to IFRS were applied for the first time in 2022 but did not have an impact on the Consolidated Financial Statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. There are no IFRS standards or amendments that have been issued but not yet adopted that are expected to have a material impact on 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 27 '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.

3. Significant accounting policies continued

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.

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 2022, the exchange rates of the main currencies used throughout the Group, compared to the US Dollar, were as follows:

GBP	0.828
EUR	0.943
NOK	9.839
BRL	5.203
CNY	6.982

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 which results in the costs associated with inefficiencies being excluded from the total forecast cost at completion to estimate percentage-of-completion. 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 conditional 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 contractual 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. Construction contract asset and liability balances at 31 December 2022 and 2021 are disclosed within Note 23 'Construction contracts'. Assurance type warranty periods commence at the completion of the contractual obligations and typically have a duration of between one to three years.

The Group's Pipelay Support Vessel (PLSV) contracts, offshore Brazil, are also included within Subsea and Conventional. 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 for the customer, is included within Note 22 'Other accrued income and prepaid expenses'.

Certain Brazilian contracts contain escalation clauses which allow for inflationary adjustments on an annual basis to both revenue and costs denominated in Brazilian Real. These are recognised as variable consideration, and 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.

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 Subsea7'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 22 '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.

3. Significant accounting policies continued

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 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 contractual 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 2022 and 2021 are disclosed within Note 23 '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 2022 and 2021 are disclosed within Note 23 'Construction contracts'. Unbilled revenue-related work completed on day-rate contracts, which has not been billed to clients, is included within Note 22 '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 Group's current tax liabilities are those that are enacted or substantively enacted at the balance sheet date.

In accordance with IFRIC 23, a liability is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The liabilities are measured at the most likely amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Current tax assets or liabilities are representative of taxes being owed by, or owing to, local tax authorities, and include the impact of any provisions required for uncertain tax treatments.

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.

3. Significant accounting policies continued

Significant tax estimates and judgements
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 tax assets and liabilities, the Group assesses the probability of treatment being accepted and, where this is not probable and a reasonable estimate can be made, the Group recognises a provision for the adjustment it considers probable to be required.

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.

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. It is expected that oil and gas will continue to contribute a significant, although declining, part in the transition to sustainable lower-carbon energy until at least 2050. The Group is in a strong position to utilise vessels for this and to adapt vessels for initiatives such as carbon capture. 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.

3. Significant accounting policies continued

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 Group 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.

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 33 '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. The cost of fulfilling a contract includes both the incremental costs of fulfilling the contract and an allocation of other costs which relate directly to fulfilling the contract.

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.

3. Significant accounting policies continued

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.

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 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.

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 formal legal action and therefore the resulting liabilities may exceed the liability anticipated by management.

4. Critical accounting judgements and key sources of estimation uncertainty continued

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 32 ‘Provisions’ and Note 33 ‘Commitments and contingent liabilities’.

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. During the year, the Group increased provisional amounts recognised in respect of an onerous fixed-price contract provision by $35.3 million with a corresponding increase of the same amount to goodwill (Note 12 ‘Business combinations’).

Taxation

The Group is subject to corporate income tax 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 internal assessments, experience and appropriate external advice, including in respect of the recognition of assets relating to the future recoverability of tax losses and other attributes.

Each year a detailed review of the Group’s uncertain tax treatments and provisions is undertaken in accordance with IFRIC 23. Where the outcome of these reviews differs from the amounts previously recorded, the difference will impact the tax charge in the period in which the outcome is determined. Details of key judgements and other issues considered are set out in Note 9 ‘Taxation’.

5. Segment information

The Group operates with an 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;
- Activities associated with heavy lifting operations and decommissioning of redundant offshore structures; and
- Activities associated with carbon capture, utilisation and storage (CCUS).

This segment includes costs, including depreciation, amortisation, impairment charges and impairment reversals, 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 executed by Seaway 7 ASA, a non-wholly-owned subsidiary of the Group. 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 activities including its non-wholly-owned subsidiary Nautilus Floating Solutions, and activities in emerging energies such as hydrogen. The Corporate business unit provides specific services to the Renewables business unit 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:

For the year ended 31 December 2022

(in $ millions)	**Subsea and Conventional**	**Renewables**	**Corporate**	**Total**
Selected financial information:				
Revenue[(a)/(b)/(c)]				
Fixed-price projects	**3,210.3**	**1,093.0**	**38.7**	**4,342.0**
Day-rate projects	**693.0**	**23.9**	**76.9**	**793.8**
	3,903.3	**1,116.9**	**115.6**	**5,135.8**
Operating expenses	**(3,601.4)**	**(1,164.4)**	**(28.6)**	**(4,794.4)**
Reversal of impairment of property, plant and equipment	**55.6**	**–**	**–**	**55.6**
Share of net loss of associates and joint ventures	**(2.4)**	**–**	**(0.6)**	**(3.0)**
Depreciation, mobilisation and amortisation charges	**(359.3)**	**(90.2)**	**(18.1)**	**(467.6)**
Net impairment of property, plant and equipment, and right-of-use assets	**(1.4)**	**–**	**–**	**(1.4)**
Reconciliation of net operating income/(loss) to income before taxes:				
Net operating income/(loss)	**229.2**	**(85.3)**	**4.9**	**148.8**
Finance income				**9.0**
Other gains and losses				**1.9**
Finance costs				**(23.4)**
Income before taxes				**136.3**
Adjusted EBITDA[(d)]	***531.6***	***4.8***	***23.0***	***559.4***
Adjusted EBITDA margin[(d)]	***13.6%***	***0.4%***	***19.9%***	***10.9%***

(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) Three clients (2021: 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 $832.6 million (2021: $793.6 million), Client B $541.0 million (2021: $502.7 million) and Client C $500.0 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 – APMs' on pages 143 to 146.

For the year ended 31 December 2021

(in $ millions)	Subsea and Conventional	Renewables	Corporate	Total
Selected financial information:				
Revenue[(a)/(b)]				
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[(c)]	*468.0*	*3.8*	*49.1*	*520.9*
Adjusted EBITDA margin[(c)]	*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) Revenue from contracts with customers recognised over time as defined by IFRS 15.
(c) 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 – APMs' on pages 143 to 146.

5. Segment information continued
Geographic information
Revenue from external clients
Based on the Group's subsidiaries' or branches' country of registered office holding the customer contract, revenue is split as follows:

For the year ended (in $ millions)	**2022 31 Dec**	2021 31 Dec
United Kingdom	**1,190.9**	1,682.8
Norway	**1,045.1**	588.0
USA	**644.4**	689.0
Brazil	**475.0**	400.4
Türkiye	**337.2**	74.6
Netherlands	**265.6**	180.0
Saudi Arabia	**190.1**	290.8
Taiwan	**177.1**	172.0
Australia	**146.7**	222.2
Trinidad & Tobago	**111.0**	60.4
Azerbaijan	**108.3**	84.8
Senegal	**94.2**	53.5
Angola	**84.6**	60.0
Canada	**79.7**	1.8
Ghana	**55.2**	11.4
Singapore	**45.7**	165.3
Germany	**36.1**	86.3
Other countries[a]	**48.9**	186.7
	5,135.8	5,010.0

(a) Comparative information for the year ended 31 December 2021 includes external revenue of $143.5 million from the Group's subsidiaries or branches with a registered office in Mexico.

Non-current assets
Based on the country of registered office of the Group's subsidiaries or branches, non-current assets for this purpose consist of intangible assets, property, plant and equipment, right-of-use assets, interest in associates and joint ventures, other financial assets and construction contracts – assets, are located in the following countries:

At (in $ millions)	**2022 31 Dec**	(Revised) 2021 31 Dec[a]
United Kingdom	**2,034.9**	2,152.5
Norway	**737.8**	687.2
Isle of Man	**732.1**	749.8
Netherlands	**449.8**	491.0
USA	**75.1**	75.5
Germany	**63.9**	20.9
Brazil	**45.3**	30.8
Azerbaijan	**22.7**	30.8
Angola	**15.4**	23.9
France	**14.7**	14.9
Other countries	**30.0**	79.4
	4,221.7	4,356.7

(a) Comparative information has been revised as a result of adjustments to provisional amounts recognised in relation to business combinations entered into during 2021, further details are disclosed in Note 12 'Business combinations'.

6. Net operating income

Net operating income includes:

For the year ended (in $ millions)	2022 31 Dec	2021 31 Dec
Employee benefits	**1,221.0**	1,123.9
Lease expense for short-term leased assets	**600.7**	520.7
Lease expense for low-value leased assets	**0.8**	0.6
Variable lease payments not included within lease liabilities	**–**	1.0
Depreciation of property, plant and equipment (Note 15)	**345.6**	341.1
Amortisation of right-of-use assets (Note 16)	**98.8**	78.5
Amortisation of intangible assets (Note 14)	**12.3**	14.7
Amortisation of mobilisation costs	**10.9**	9.5
Impairment of property, plant and equipment (Note 15)	**2.3**	4.1
Impairment of intangible assets (Note 14)	**–**	4.8
Impairment of right-of-use assets (Note 16)	**–**	0.2
Impairment reversal of right-of-use assets (Note 16)	**(3.7)**	(3.7)
Impairment reversal of property, plant and equipment (Note 15)	**(55.6)**	–
Research and development costs	**12.3**	11.7
Auditor's remuneration	**3.3**	4.0
Net credit impairment loss/(credit) for financial assets (Note 34)	**2.3**	(15.7)
Net decrease in allowances for expected credit losses for financial assets	**(0.2)**	(1.4)
Net decrease in allowances for expected credit losses for construction contract assets (Note 23)	**(1.4)**	(0.6)

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)	2022 31 Dec	2021 31 Dec
Audit fees	**3.2**	3.7
Tax fees	**0.1**	0.3
	3.3	4.0

Audit fees constitute charges 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 2022 but include final settlement of charges associated with the year ended 31 December 2021.

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 2022. Fees were primarily incurred in connection with the year ended 31 December 2022.

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 2022.

6. Net operating income continued
Reconciliation of operating expenses and administrative expenses by nature

	31 Dec 2022			31 Dec 2021		
For the year ended (in $ millions)	**Operating expenses**	**Administrative expenses**	**Total expenses**	Operating expenses	Administrative expenses	Total expenses
Direct project-related costs, including procurement	**2,372.3**	**–**	**2,372.3**	2,584.0	–	2,584.0
Employee benefits	**1,079.5**	**141.5**	**1,221.0**	996.4	127.5	1,123.9
Lease expense for short-term leased assets	**599.8**	**0.9**	**600.7**	520.0	0.7	520.7
Lease expense for low-value leased assets	**0.8**	**–**	**0.8**	0.6	–	0.6
Variable lease expense not included within lease liabilities	**–**	**–**	**–**	1.0	–	1.0
Depreciation, amortisation and mobilisation	**433.2**	**34.4**	**467.6**	409.5	34.3	443.8
Impairment of property, plant and equipment	**2.3**	**–**	**2.3**	4.1	–	4.1
Impairment of intangible assets	**–**	**–**	**–**	4.8	–	4.8
Impairment of right-of-use assets	**–**	**–**	**–**	–	0.2	0.2
Impairment reversal of right-of-use assets	**–**	**(3.7)**	**(3.7)**	–	(3.7)	(3.7)
Net credit impairment loss/(credit) for financial assets	**2.2**	**0.1**	**2.3**	(15.7)	–	(15.7)
Net decrease in allowances for expected credit losses for financial assets	**(0.2)**	**–**	**(0.2)**	(1.4)	–	(1.4)
Net decrease in allowances for expected credit losses for construction contract assets	**(1.4)**	**–**	**(1.4)**	(0.6)	–	(0.6)
Other expenses	**305.9**	**72.0**	**377.9**	211.5	69.0	280.5
Total	**4,794.4**	**245.2**	**5,039.6**	4,714.2	228.0	4,942.2

7. Other gains and losses

For the year ended (in $ millions)	**2022 31 Dec**	2021 31 Dec
Gain on disposal of property, plant and equipment	**0.3**	3.0
Gain on maturity of lease liabilities	**2.2**	0.2
Fair value gains on derivative financial instruments mandatorily measured at fair value through profit or loss	**3.0**	1.9
Fair value losses on other financial assets measured at fair value through profit or loss	**–**	(1.1)
Net gains on business combinations post measurement periods	**3.8**	3.3
Net foreign currency exchange (losses)/gains	**(7.4)**	37.1
Total	**1.9**	44.4

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

8. Finance income and finance costs

For the year ended (in $ millions)	**2022 31 Dec**	2021 31 Dec
Interest on financial assets measured at amortised cost	**9.0**	4.7
Total finance income	**9.0**	4.7

For the year ended (in $ millions)	**2022 31 Dec**	2021 31 Dec
Interest and fees on financial liabilities measured at amortised cost	**20.2**	11.9
Total borrowing costs	**20.2**	11.9
Less: amounts capitalised and included in the cost of qualifying assets	**(7.2)**	(0.6)
	13.0	11.3
Interest on lease liabilities	**11.3**	6.7
Interest on tax liabilities	**(0.9)**	2.1
Total finance costs	**23.4**	20.1

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 5.6% dependent on the funding source (2021: 4.3%).

9. Taxation

Tax recognised in the Consolidated Income Statement

For the year ended (in $ millions)	2022 31 Dec	2021 31 Dec
Tax charged in the Consolidated Income Statement		
Current tax:		
Corporation tax on income for the year	**67.3**	63.4
Adjustments in respect of prior years	**4.3**	1.1
Total current tax	**71.6**	64.5
Deferred tax charge for the year	**24.2**	5.5
Adjustments in respect of prior years	**4.1**	(5.7)
Total deferred tax charge/(credit)	**28.3**	(0.2)
Total	**99.9**	64.3

Tax recognised in the Consolidated Statement of Comprehensive Income

For the year ended (in $ millions)	2022 31 Dec	2021 31 Dec
Tax (credit)/charge relating to items recognised directly in comprehensive income		
Current tax on:		
Exchange differences	**(2.7)**	0.4
Income tax recognised directly in comprehensive income	**(2.7)**	0.4
Deferred tax on:		
Commodity cash flow hedges	**(2.4)**	2.4
Remeasurement gains on defined benefit pension schemes	**0.7**	0.1
Deferred tax recognised directly in comprehensive income	**(1.7)**	2.5
Total	**(4.4)**	2.9

Deferred tax recognised in the Consolidated Statement of Changes in Equity

For the year ended (in $ millions)	2022 31 Dec	2021 31 Dec
Share-based payments	**(0.2)**	–
Total	**(0.2)**	–

Reconciliation of taxation

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% (2021: 24.94%) which represents the blended tax rate applicable to Luxembourg entities.

For the year ended (in $ millions)	2022 31 Dec	2021 31 Dec
Income before taxes	**136.3**	100.7
Tax at the blended tax rate of 24.94% (2021: 24.94%)	**34.0**	25.1
Effects of:		
Different tax rates of subsidiaries operating in other jurisdictions	**(6.6)**	16.8
Impact of tax rate changes	**(1.8)**	5.8
Non-qualifying depreciation	**0.8**	2.8
Net benefit of tonnage tax regimes	**(6.2)**	(33.7)
Withholding taxes and unrelieved overseas taxes	**27.0**	24.5
Non-deductible expenses and non-taxable income	**3.1**	2.1
Tax effect of share of net loss of associates and joint ventures	**0.7**	(0.9)
Movement in unprovided deferred tax	**48.2**	27.1
Revisions to uncertain tax treatments	**(7.7)**	(0.7)
Adjustments related to prior years	**8.4**	(4.6)
Taxation in the Consolidated Income Statement	**99.9**	64.3

9. Taxation continued
Deferred tax
Movements in the net deferred tax balance were:

(in $ millions)	Intangible assets	Property, plant and equipment	Accrued expenses and deferred income	Share-based payments	Tax losses	Other	Total
Balance at 31 December 2020	**(0.3)**	**(45.4)**	**8.0**	**0.4**	**45.7**	**8.9**	**17.3**
Credited/(charged) to:							
Consolidated Income Statement	0.3	1.3	7.9	0.6	(4.2)	(5.7)	0.2
Other Comprehensive Income	–	–	0.1	(0.3)	–	(2.3)	(2.5)
Balance sheet reclassifications	–	(0.2)	(0.4)	–	–	0.3	(0.3)
Exchange differences	–	0.9	(1.5)	–	(1.6)	0.2	(2.0)
Balance at 31 December 2021	**–**	**(43.4)**	**14.1**	**0.7**	**39.9**	**1.4**	**12.7**
(Charged)/credited to:							
Consolidated Income Statement	–	(21.8)	(35.0)	(0.1)	26.8	1.8	(28.3)
Other Comprehensive Income	–	–	(0.7)	–	–	2.4	1.7
Changes in equity	–	–	–	0.2	–	–	0.2
Balance sheet reclassifications	–	(0.4)	0.7	–	0.1	(0.2)	0.2
Exchange differences	–	1.4	(1.5)	–	(1.8)	(0.3)	(2.2)
Balance at 31 December 2022	**–**	**(64.2)**	**(22.4)**	**0.8**	**65.0**	**5.1**	**(15.7)**

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 2022

(in $ millions)	Deferred tax asset	Deferred tax liability	Net recognised deferred tax asset/(liability)
Property, plant and equipment	**6.1**	**(70.3)**	**(64.2)**
Accrued expenses and deferred income	**8.5**	**(30.9)**	**(22.4)**
Share-based payments	**0.8**	**–**	**0.8**
Tax losses	**65.0**	**–**	**65.0**
Other	**6.7**	**(1.6)**	**5.1**
Total	**87.1**	**(102.8)**	**(15.7)**

At 31 December 2021

(in $ millions)	Deferred tax asset	Deferred tax liability	Net recognised deferred tax asset/(liability)
Property, plant and equipment	7.5	(50.9)	(43.4)
Accrued expenses and deferred income	23.8	(9.7)	14.1
Share-based payments	0.7	–	0.7
Tax losses	39.9	–	39.9
Other	7.2	(5.8)	1.4
Total	79.1	(66.4)	12.7

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

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Deferred tax assets	**38.7**	58.7
Deferred tax liabilities	**(54.4)**	(46.0)
Total	**(15.7)**	12.7

At 31 December 2022, the gross amount and expiry dates of losses available for carry forward were as follows:

At (in $ millions)	Expiring within 5 years	Expiring in 6 to 10 years	Expiring in 11 to 20 years	Without limit	Total
Losses for which a deferred tax asset is recognised	8.7	1.6	48.4	214.7	273.4
Losses for which no deferred tax asset is recognised	135.9	57.0	99.1	2,152.8	2,444.8
Total	**144.6**	**58.6**	**147.5**	**2,367.5**	**2,718.2**

At 31 December 2021, the gross amount and expiry dates of losses available for carry forward were as follows:

At (in $ millions)	Expiring within 5 years	Expiring in 6 to 10 years	Expiring in 11 to 20 years	Without limit	Total
Losses for which a deferred tax asset is recognised	7.1	–	–	136.4	143.5
Losses for which no deferred tax asset is recognised	147.4	90.5	161.1	2,030.2	2,429.2
Total	**154.5**	**90.5**	**161.1**	**2,166.6**	**2,572.7**

The increase in deferred tax asset recognition on losses relates primarily to the Group's operations in Norway, where the losses have resulted from the deferral of taxation on profitable long-term projects, and for which a deferred tax liability is recognised; and in the UK, where the Group has a strong history of profitability. These losses are expected to be utilised in the coming year or, in the UK, can be carried back to the prior year.

The change in expiration profile of the losses recognised resulted from the changes of the location of assets recognised, with additional losses being recognised in the US, based on strong current year, and future forecast, profitability.

Included in the above losses for which no asset is recognised were $1.4 billion (2021: $1.4 billion) of losses in Luxembourg, which could be subject to future claw-back if certain transactions were entered into.

In addition, the Group has other unrecognised deferred tax assets of $66.5 million (2021: $44.9 million) in respect of other temporary differences. These primarily relate to provision for expenses and loss on contracts in Brazil and unclaimed capital allowances in Nigeria.

No deferred tax has been recognised in respect of taxable temporary differences relating to the unremitted earnings of the Group's subsidiaries, branches, associates and joint ventures 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 2022 was $195.6 million (2021: $235.2 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 2022, the Group's elections resulted in a positive impact on the Group's tax charge of $6.2 million (2021: $33.7 million).

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 result in uncertainty as to the ultimate acceptability of the treatment of tax matters.

This often results in the Group's filing positions being subject to audit, enquiry and possible re-assessment. During 2022, the Group was subject to audits and disputes in, among others, Brazil, France, Germany, Ghana, Mexico, Nigeria and Saudi Arabia. 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 positions across the Group, and makes provisions based on the probability of a liability arising. It is possible that the ultimate resolution of these uncertainties could result in tax charges that are materially higher or lower than the amounts provided for.

In the year ended 31 December 2022, the Group recorded a net decrease in the financial impact of uncertain tax treatments of $9.2 million (2021: $6.1 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

The regular dividend of NOK 1.00 per share was approved by the shareholders of Subsea 7 S.A. at the Annual General Meeting on 12 April 2022 and recognised in shareholders' equity in April 2022. The dividend of $31.7 million was paid on 6 May 2022 to shareholders of Subsea 7 S.A.

11. Earnings per share

Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net income 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 26 '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 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)	**2022 31 Dec**	2021 31 Dec
Net income attributable to shareholders of the parent company	**57.1**	31.8
Earnings used in the calculation of diluted earnings per share	**57.1**	31.8

For the year ended	**2022 31 Dec Number of shares**	2021 31 Dec Number of shares
Weighted average number of common shares used in the calculation of basic earnings per share	**291,955,196**	297,562,898
Performance shares	**1,037,990**	1,020,873
Weighted average number of common shares used in the calculation of diluted earnings per share	**292,993,186**	298,583,771

For the year ended (in $ per share)	**2022 31 Dec**	2021 31 Dec
Basic earnings per share	**0.20**	0.11
Diluted earnings per share	**0.19**	0.11

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	**2022 31 Dec Number of shares**	2021 31 Dec Number of shares
Performance shares	**609,004**	807,361

12. Business combinations

During 2022, the Group identified adjustments to provisional amounts recognised in relation to business combinations entered into during 2021. The adjustments were identified during the relevant measurement periods and related to facts and circumstances which existed at the date of acquisition; as a result, 2021 comparative information has been revised as if the accounting had been completed at the acquisition dates.

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.

During 2022, the Group increased provisional amounts recognised in respect of an onerous fixed-price contract provision by $35.3 million with a corresponding increase of the same amount to goodwill.

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.

During 2022, the Group reduced provisional amounts recognised in respect of intangible assets by $2.3 million, increased goodwill by $1.4 million and reduced non-controlling interests by $0.9 million.

13. Goodwill

(in $ millions)	Total
Cost	
At 1 January 2021	2,440.3
Additions	76.6
Exchange differences	(7.8)
At 31 December 2021	2,509.1
Adjustments to provisional amounts recognised (Note 12)	36.7
At 31 December 2021 (revised)	2,545.8
Exchange differences	(141.5)
At 31 December 2022	**2,404.3**
Accumulated impairment	
At 1 January 2021	2,355.8
Exchange differences	(7.2)
At 31 December 2021	2,348.6
Exchange differences	(135.6)
At 31 December 2022	**2,213.0**
Carrying amount	
At 31 December 2021 (revised)	197.2
At 31 December 2022	**191.3**

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 2022 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 2022. Subsequent to this review the carrying amounts of the goodwill were allocated to the following CGUs:

At (in $ millions)	**2022 31 Dec**	(Revised) 2021 31 Dec
Nautilus	**6.3**	6.7
Norway	**9.5**	9.5
Renewables	**105.3**	105.3
UK GIRM	**37.6**	40.7
Xodus	**15.5**	16.1
4Subsea	**17.1**	18.9
Total	**191.3**	197.2

At 31 December 2022 there was no goodwill associated with the Africa Middle East and Caspian, Asia Pacific, Brazil and Gulf of Mexico CGUs.

13. Goodwill

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 2023 to 2027. These projections included certain considerations for climate change-related risks and opportunities on the period. Future uncertainty around climate-related risks continue to be monitored including policy, regulatory, legal, technological, market and societal considerations. The present value of future cash flows is most sensitive to the terminal value assumptions; management considers these represent an appropriate balance between the oil and gas-related business and the growing renewables sector within the transition to a lower-carbon economy. Cash flows beyond the five-year period were extrapolated in perpetuity using a 2.0% (2021: 2.0%) growth rate for the Subsea and Conventional business unit and a 4.0% (2021: 2.0%) growth rate for the Renewables business unit to determine the terminal value. The pre-tax discount rate applied to the risk adjusted cash flow projections was 13.3% (2021: 10.6%).

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:

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

Adjusted EBITDA forecasts – the Adjusted 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.

Replacement capital expenditure forecasts – the capital expenditure forecast for the Group is dependent on a combination of factors including market size, asset utilisation and asset age. Assumptions are based on a combination of internal and external studies, management judgements and historical information, adjusted for any foreseen changes in market conditions. Replacement capital expenditure represents the amounts estimated to maintain the function of the assets in the CGU.

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 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:

- forecast Adjusted EBITDA – a 10% increase and decrease in the assumptions during the five-year period from 2023 to 2027, and the Adjusted EBITDA upon which terminal values have been calculated;
- replacement capital expenditure forecast – a 25% increase and decrease in the forecast replacement capital expenditure assumptions during the five-year period from 2023 to 2027, and the capital expenditure upon which terminal values have been calculated;
- pre-tax discount rate – an increase and decrease by 2 percentage points; and
- growth rate – an increase and decrease by 2 percentage points.

The impact on goodwill as a result of changes to the key assumptions used in the sensitivity analysis is as follows:

	Adjusted EBITDA		Discount rate		Capital expenditure		Long-term growth rate	
(in $ millions)	10% decrease	10% increase	2% decrease	2% increase	25% decrease	25% increase	2% decrease	2% increase
UK GIRM	**(11.8)**	–	–	–	–	–	–	–
4Subsea	**(3.1)**	–	–	**(4.7)**	–	**(2.6)**	**(3.3)**	–
Xodus	**(3.0)**	–	–	**(2.0)**	–	**(1.0)**	–	–

CGUs not impaired and not sensitive to impairment

Changes to the key assumptions used in the sensitivity analysis would not, in isolation, cause the recoverable amount of the Norway, Nautilus or Renewables CGUs to be materially less than their carrying value.

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. The Brazil CGU is sensitive to changes in the key assumptions which may result in a potential CGU impairment being recognised in future years.

14. Intangible assets

(in $ millions)	Software	Customer contracts (backlog)	Other intangibles	Total
Cost				
At 1 January 2021	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
Adjustments to provisional amounts recognised (Note 12)	–	–	(2.3)	(2.3)
At 31 December 2021 (revised)	43.9	–	75.8	119.7
Additions	3.0	–	8.0	11.0
Disposals	(0.1)	–	–	(0.1)
Exchange differences	(4.1)	–	(6.5)	(10.6)
At 31 December 2022	**42.7**	**–**	**77.3**	**120.0**
Accumulated amortisation and impairment				
At 1 January 2021	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
Charge for the year	3.6	–	8.7	12.3
Eliminated on disposal	(0.1)	–	–	(0.1)
Exchange differences	(2.3)	–	(5.7)	(8.0)
At 31 December 2022	**25.1**	**–**	**63.8**	**88.9**
Carrying amount:				
At 31 December 2021	20.0	–	15.0	35.0
At 31 December 2022	**17.6**	**–**	**13.5**	**31.1**

The table above includes assets under construction of $8.9 million (2021: $6.1 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 2022 and impairment charges of $nil (2021: $4.8 million) were recognised.

15. Property, plant and equipment

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2021	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
Additions	176.9	19.5	8.5	17.7	222.6
Exchange differences	(52.3)	(43.7)	(14.4)	(7.0)	(117.4)
Transfers	(20.6)	24.3	–	(3.7)	–
Assets held for sale (Note 21)	(222.3)	–	–	–	(222.3)
Disposals	(23.6)	(7.8)	–	(2.1)	(33.5)
At 31 December 2022	**5,856.1**	**1,009.6**	**517.2**	**62.9**	**7,445.8**
Accumulated depreciation and impairment					
At 1 January 2021	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
Charge for the year	253.8	66.9	18.4	6.5	345.6
Impairments	–	2.3	–	–	2.3
Impairment reversals	(55.6)	–	–	–	(55.6)
Exchange differences	(28.1)	(36.9)	(6.1)	(3.1)	(74.2)
Assets held for sale (Note 21)	(176.8)	–	–	–	(176.8)
Eliminated on disposals	(23.5)	(7.3)	–	(2.1)	(32.9)
At 31 December 2022	**2,299.5**	**846.3**	**326.7**	**51.3**	**3,523.8**
Carrying amount:					
At 31 December 2021	3,668.3	196.0	208.7	8.0	4,081.0
At 31 December 2022	**3,556.6**	**163.3**	**190.5**	**11.6**	**3,922.0**

The table above includes assets under construction of $431.1 million at 31 December 2022 (2021: $285.4 million).

An impairment test was performed on the balances of property, plant and equipment at 31 December 2022 and impairment charges of $2.3 million (2021: $4.1 million) were recognised where the future recoverable amounts were lower than the carrying amounts. 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. In addition, impairment reversals totalling $55.6 million (2021: $nil) were recognised in relation to a vessel and operating equipment, driven by an upward revision in forecast utilisation of the assets. The impairment reversals were recognised within the Subsea and Conventional business unit.

16. Right-of-use assets

(in $ millions)	Vessels	Operating equipment	Land and buildings	Other assets	Total
Cost					
At 1 January 2021	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
Additions	62.4	1.1	5.4	–	68.9
Exchange differences	(12.8)	(0.2)	(7.0)	–	(20.0)
Remeasurement	65.9	5.5	(0.3)	(0.2)	70.9
Disposals	(26.4)	(0.9)	(7.8)	(0.1)	(35.2)
At 31 December 2022	**372.9**	**14.7**	**128.9**	**2.7**	**519.2**
Accumulated amortisation and impairment					
At 1 January 2021	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
Charge for the year	74.3	4.2	19.6	0.7	98.8
Impairment reversals	–	–	(3.7)	–	(3.7)
Exchange differences	(8.0)	(0.1)	(3.1)	(0.1)	(11.3)
Eliminated on disposals	(26.4)	(0.8)	(7.5)	(0.1)	(34.8)
At 31 December 2022	**197.3**	**8.2**	**69.5**	**2.2**	**277.2**
Carrying amount:					
At 31 December 2021	126.4	4.3	74.4	1.3	206.4
At 31 December 2022	**175.6**	**6.5**	**59.4**	**0.5**	**242.0**

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 and not the respective lessors. Lease liabilities are disclosed within Note 29 'Lease liabilities'. Commitments to leases which have not yet commenced are disclosed within Note 33 'Commitments and contingent liabilities'.

An impairment test was performed on the balances at 31 December 2022 and impairment charges totalling $nil (2021: $0.2 million) were recognised. In addition impairment reversals totalling $3.7 million were recognised (2021: $3.7 million).

17. Interests in associates and joint arrangements

Interests in associates and joint ventures

At 31 December 2022 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	Subsea7 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 Oceon 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 2022 is used for all entities. The movement in the balance of investments in joint ventures was as follows:

(in $ millions)	**2022**	2021
At year beginning	**28.6**	29.5
Share of net (loss)/income of associates and joint ventures	**(3.0)**	3.9
Net reclassification of investment balances	**1.7**	(4.5)
Exchange differences	**(1.8)**	(0.3)
At year end	**25.5**	28.6

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 2022 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 Subsea7 and OneSubsea®, the subsea technologies, production and processing systems division of SLB. As part of the alliance, Subsea7 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 Subsea7 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 Subsea7 and L&T Hydrocarbon Engineering. This unincorporated consortium is governed by a consortium agreement, and Subsea7 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.

Interests in joint ventures and associates – agreement to complete second half of 2023

On 30 August 2022, the Group announced its intention to acquire a 10% ownership interest in a proposed entity which will comprise the subsea businesses of SLB and Aker Solutions, with the Group contributing $306.5 million for a 10% ownership interest. The Group will not contribute any assets or businesses. The entity will operate within Subsea Integration Alliance, in a similar capacity to the existing arrangements with OneSubsea®, the subsea technologies, production and processing systems division of SLB. The transaction is subject to regulatory approvals as well as other customary closing conditions and is expected to complete during the second half of 2023. The consideration of $306.5 million will be payable 50% at completion date with the remainder on or before 30 June 2024. The results of the entity are expected to be equity accounted in the Group's Consolidated Financial Statements as an associate, on the basis that the Group will have significant influence in the entity and representation on the Board of Directors.

18. Advances and receivables

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Non-current amounts due from associates and joint ventures	**37.4**	38.6
Allowance for credit impairment	**(1.6)**	(1.6)
	35.8	37.0
Capitalised fees for long-term loan facilities	**1.8**	5.3
Deposits held by third parties	**1.1**	1.0
Other receivables	**27.2**	14.1
Total	**65.9**	57.4

19. Inventories

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Materials and non-critical spares	**8.8**	10.4
Consumables	**40.7**	29.9
Total	**49.5**	40.3

For the year ended (in $ millions)	**2022 31 Dec**	2021 31 Dec
Total cost of inventory charged to the Consolidated Income Statement	**163.7**	114.5
Write-down of inventories charged to the Consolidated Income Statement	**1.4**	0.5
Provision for obsolescence charged to the Consolidated Income Statement	**0.3**	2.4

At 31 December 2022 inventories included a provision for obsolescence of $5.2 million (2021: $6.5 million). There were no inventories pledged as security.

20. Trade and other receivables

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Trade receivables	**431.5**	519.2
Allowance for expected credit losses	**(2.0)**	(2.2)
Allowance for credit impairment	**(4.4)**	(3.9)
	425.1	513.1
Current amounts due from associates and joint ventures	**3.7**	4.4
Allowance for credit impairment	**(2.1)**	(1.9)
	1.6	2.5
Other receivables	**32.5**	20.5
Advances to suppliers	**28.5**	39.0
Other taxes receivable	**98.5**	56.7
Trade and other receivables	**586.2**	631.8
Current tax assets	**61.1**	24.1
Total	**647.3**	655.9

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 34 '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. Assets classified as held for sale

During December 2022, the Group marketed two vessels for sale, *Seven Antares* and *Seven Inagha*. Management considered its actions met the criteria within IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', to classify the assets as held for sale with disposals expected to be completed within a year from the reporting date. At 31 December 2022, both vessels were classified as held for sale at their carrying amounts which management considered was representative of their fair value less costs to sell.

22. Other accrued income and prepaid expenses

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Unbilled revenue	**93.4**	88.1
Allowance for expected credit losses	**(0.4)**	(0.4)
	93.0	87.7
Prepaid expenses	**111.6**	116.8
Total	**204.6**	204.5

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 $6.6 million (2021: $6.0 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 and Norway.

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)	**2022 31 Dec**	2021 31 Dec
Allowance for expected credit losses		
At year beginning	**(0.4)**	(1.3)
Decrease in allowance recognised in profit or loss	**–**	0.9
At year end	**(0.4)**	(0.4)

Details of how the Group manages its credit risk are shown in Note 34 'Financial instruments'.

At 31 December 2022 the allowance for credit impairment in respect of unbilled revenue was $nil (2021: $nil).

23. Construction contracts

(in $ millions)	**Construction contracts – assets**	**Construction contracts – liabilities**
At 31 December 2022		
Current	**809.5**	**(319.4)**
Allowance for expected credit losses	**(1.8)**	**–**
Total	**807.7**	**(319.4)**

(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)	**2022 31 Dec**	2021 31 Dec
Revenue recognised which was included in construction contract liabilities at beginning of year	**195.0**	267.9
Revenue recognised from performance obligations satisfied in previous periods	**78.0**	69.1

Revenue recognised which was included in construction contract liabilities at the beginning of the year of $195.0 million (2021: $267.9 million) represents amounts included within the construction contract liabilities balance at 1 January 2022 which have been recognised as revenue during the year. Revenue recognised from performance obligations satisfied in previous periods of $78.0 million (2021: $69.1 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 $15.1 million increase in construction contract assets and the $113.7 million increase in construction contract liabilities during 2022 was driven by an increase in activity in the Subsea and Conventional business unit, primarily in Norway and Brazil.

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)	**2022 31 Dec**	2021 31 Dec
Allowance for expected credit losses		
At year beginning	**(3.2)**	(3.8)
Decrease in allowance recognised in profit or loss	**1.4**	0.6
At year end	**(1.8)**	(3.2)

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 2022 the allowance for credit impairment recognised in connection with construction contract assets was $nil (2021: $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 2022

	Expected year of execution				
(in $ millions)	**2023**	**2024**	**2025**	**2026 and beyond**	**Total**
Subsea and Conventional	**3,815.8**	**2,565.6**	**1,178.9**	**581.0**	**8,141.3**
Renewables	**367.3**	**392.6**	**83.9**	**0.3**	**844.1**
Corporate	**20.9**	**1.3**	**–**	**–**	**22.2**
Total	**4,204.0**	**2,959.5**	**1,262.8**	**581.3**	**9,007.6**

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

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

24. Cash and cash equivalents

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Cash and cash equivalents	**645.6**	597.6

Cash and cash equivalents included amounts totalling $35.2 million (2021: $44.5 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.

25. Issued share capital

Authorised shares

	2022 31 Dec Number of shares	2022 31 Dec in $ millions	2021 31 Dec Number of shares	2021 31 Dec in $ millions
Authorised common shares, $2.00 par value	**450,000,000**	**900.0**	450,000,000	900.0

Issued shares

	2022 31 Dec Number of shares	2022 31 Dec in $ millions	2021 31 Dec Number of shares	2021 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	**290,205,733**	**580.4**	295,465,893	590.9
Treasury shares at par value (Note 26)	**9,794,267**	**19.6**	4,534,107	9.1
Total	**300,000,000**	**600.0**	300,000,000	600.0

26. 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 2022, the Group repurchased 5,648,072 (2021: 2,724,172) shares for a total consideration of $46.0 million (2021: $21.0 million). At 31 December 2022, the cumulative number of shares repurchased under this programme was 10,000,212 for a total consideration of $76.8 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 2022 the remaining repurchased shares, which had not been reallocated relating to share-based payments, were held as treasury shares.

Summary

At 31 December 2022, Subsea 7 S.A. held 9,794,267 treasury shares (2021: 4,534,107), which amounted to 3.26% (2021: 1.51%) of the total number of issued shares.

	2022 Number of shares	2022 in $ millions	2021 Number of shares	2021 in $ millions
At year beginning	**4,534,107**	**32.9**	2,326,683	17.8
Shares repurchased	**5,648,072**	**46.0**	2,724,172	21.0
Shares reallocated relating to share-based payments	**(387,912)**	**(3.9)**	(516,748)	(5.9)
Balance at year end	**9,794,267**	**75.0**	4,534,107	32.9

27. Non-controlling interests

At 31 December 2022, the Group's respective ownership interests in subsidiaries which are non-wholly-owned were as follows:

	Year end	Country of registration	Subsea7 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	72.4
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 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 2022 has been used for all entities.

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

(in $ millions)	**2022**	2021
At year beginning	**305.4**	27.3
Adjustments to provisional amounts recognised (Note 12)	**(0.9)**	–
At year beginning (revised)	**304.5**	27.3
Share of net (loss)/income for the year	**(20.7)**	4.6
Acquisition of businesses	**–**	278.3
Seaway 7 ASA's equity share issuance	**54.3**	–
Reclassification of non-controlling interests to equity attributable to shareholders of Subsea 7 S.A.	**(6.3)**	–
Reclassification of cumulative exchange differences from equity attributable to shareholders of Subsea 7 S.A. to non-controlling interests	**–**	(2.9)
Exchange differences	**(2.7)**	(1.9)
At year end	**329.1**	305.4

Seaway 7 ASA's equity share issuance

During the year, Seaway 7 ASA raised approximately $200 million from a rights issue fully underwritten by Seaway 7 ASA's three largest shareholders. Following the rights issue, the Group's ownership interest increased from 72% to 72.42%.

Subsea Seven Doha Oil and Gas Services and Trading LLC

During 2022, Subsea Seven Doha Oil and Gas Services and Trading LLC became a wholly-owned subsidiary of the Group.

Summarised financial information

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

27. Non-controlling interests

Seaway 7 ASA

The Group holds a 72.42% interest in Seaway 7 ASA, a global group operating in the renewables market.

For the year ended (in $ millions)	2022 31 Dec	2021 31 Dec
Revenue	**1,119.0**	1,260.0
Net loss	**(80.7)**	(62.5)
Total comprehensive loss	**(79.3)**	(61.3)
Total comprehensive loss attributable to non-controlling interests	**(21.9)**	(17.2)

For the year ended (in $ millions)	2022 31 Dec	2021 31 Dec
Net cash flows (used in)/generated from operating activities	**(47.6)**	38.6
Net cash flows used in investing activities	**(71.2)**	(38.0)
Net cash flows generated from financing activities	**104.6**	15.2
Net (decrease)/increase in cash and cash equivalents	**(14.2)**	15.8

As at (in $ millions)	2022 31 Dec	2021 31 Dec
Non-current assets	**1,147.4**	1,060.4
Current assets	**228.7**	327.6
Non-current liabilities	**(96.1)**	(56.1)
Current liabilities	**(292.7)**	(467.6)
Net assets	**987.3**	864.3
Total equity	**(987.3)**	(864.3)
Total equity attributable to the shareholders of the parent company	**(715.0)**	(622.3)
Total equity attributable to non-controlling interests	**(272.3)**	(242.0)

28. Borrowings

At (in $ millions)	2022 31 Dec	2021 31 Dec
South Korean Export Credit Agency (ECA) facility	**159.8**	184.4
UK Export Finance (UKEF) facility	**195.8**	200.0
Seaway 7 ASA Revolving Credit Facility	**–**	37.0
Other	**0.4**	0.5
Total	**356.0**	421.9
Consisting of:		
Non-current portion of borrowings	**302.2**	360.3
Current portion of borrowings	**53.8**	61.6
Total	**356.0**	421.9

Commitment fees expensed during the year in respect of unused lines of credit totalled $4.2 million (2021: $2.6 million).

Facilities

The $700 multi-currency revolving credit and guarantee facility

On 15 June 2022, the Group entered into a $700.0 million multi-currency revolving credit and guarantee facility with a five-year tenor. The facility is available in a combination of guarantees, up to a limit of $200.0 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 2022.

On 15 June 2022, the Group's previous $656.0 million multi-currency revolving credit and guarantee facility was cancelled.

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. At 31 December 2022, the amount outstanding under the facility was $159.8 million (2021: $184.4 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 2022, the amount outstanding under the facility, net of facility fees, was $195.8 million (2021: $200.0 million).

Seaway 7 ASA Revolving Credit Facility

The amount outstanding under the facility of $37.0 million was repaid in full during January 2022 and the facility cancelled.

Utilisation of facilities

At (in $ millions)	**2022 31 Dec Utilised**	**2022 31 Dec Unutilised**	**2022 31 Dec Total**	2021 31 Dec Utilised	2021 31 Dec Unutilised	2021 31 Dec Total
Committed borrowing facilities	**359.8**	**1,000.0**	**1,359.8**	421.9	956.0	1,377.9

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 2022 was $1.6 billion (2021: $1.3 billion).

29. Lease liabilities

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Maturity analysis – contractual undiscounted cash flows		
Within one year	107.8	90.3
Years two to five inclusive	165.7	141.8
After five years	10.2	17.1
Total undiscounted lease liabilities	**283.7**	249.2
Effect of discounting	(26.7)	(18.3)
Discounted lease liabilities	**257.0**	230.9
Consisting of:		
Non-current	161.2	142.9
Current	95.8	88.0
Total discounted lease liabilities	**257.0**	230.9

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 Flows Statement for the year ended 31 December 2022 were $110.7 million (2021: $93.1 million).

30. Other non-current liabilities

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Other	**5.3**	6.1
Total	**5.3**	6.1

31. Trade and other liabilities

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Accruals	**720.1**	887.9
Trade payables	**317.5**	271.1
Current amounts due to associates and joint ventures	**7.3**	9.1
Accrued salaries and benefits	**118.9**	106.4
Withholding taxes	**23.8**	15.4
Other taxes payable	**68.9**	44.2
Other current liabilities	**13.9**	18.4
Total	**1,270.4**	1,352.5

32. Provisions

(in $ millions)	Claims	Decommissioning	Restructuring	Onerous fixed-price contracts	Other	Total
At 1 January 2021	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
Adjustments to provisional amounts recognised (Note 12)	–	–	–	35.3	–	35.3
At 31 December 2021 (revised)	13.7	10.0	2.8	124.6	30.6	181.7
Additional provision in the year	6.5	1.2	0.6	97.5	7.3	113.1
Utilisation of provision	(0.6)	(0.6)	(2.3)	(102.9)	(4.6)	(111.0)
Unused amounts released during the year	(1.0)	(4.1)	(0.6)	(32.1)	(9.7)	(47.5)
Unwinding of discount rate	–	–	–	(0.1)	–	(0.1)
Exchange differences	0.9	(0.4)	0.1	(1.3)	(0.8)	(1.5)
At 31 December 2022	**19.5**	**6.1**	**0.6**	**85.7**	**22.8**	**134.7**

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Consisting of:		
Non-current provisions	**47.7**	85.0
Current provisions	**87.0**	96.7
Total	**134.7**	181.7

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 2023 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. Cash outflows associated with termination costs and professional fees are expected to occur in 2023.

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 2023 and 2024.

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

33. Commitments and contingent liabilities

Commitments

The Group's commitments at 31 December 2022 consisted of:

- commitments to purchase property, plant and equipment from external suppliers of $402.4 million (2021: $403.0 million), including commitments related to *Seaway Alfa Lift*, an offshore wind foundation installation vessel, and *Seaway Ventus*, an offshore wind turbine installation vessel;
- contractual lease commitments, relating to vessel charters which had not commenced at 31 December 2022, totalling $119.3 million;
- short-term lease commitments totalling $22.4 million (2021: $28.8 million); and
- completion of an agreement to form a joint venture with SLB and Aker Solutions (Note 17).

Contingent liabilities

A summary of the contingent liabilities is as follows:

	Contingent liability recognised		Contingent liability not recognised	
(in $ millions)	**2022**	2021	**2022**	2021
At year beginning	**5.5**	6.0	**176.4**	285.2
Movement in contingent liabilities	**(5.4)**	–	**9.4**	(91.5)
Exchange differences	**0.3**	(0.5)	**15.5**	(17.3)
At year end	**0.4**	5.5	**201.3**	176.4

Contingent liabilities recognised in the Consolidated Balance Sheet

As part of accounting for the business combination in 2011 with Subsea 7 Inc., IFRS 3 'Business Combinations' (IFRS 3) 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. Following a favourable legal ruling, management now consider this previously recognised liability to have expired. As a result, during the second quarter of 2022, the contingent liability of $5.4 million (31 December 2021: $5.0 million) was derecognised in full and recognised within the Group's Consolidated Income Statement within operating expenses.

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 2022 was $0.4 million (2021: $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 2022 amounted to BRL 908.8 million, equivalent to $174.7 million (2021: BRL 821.5 million, equivalent to $145.1 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 2022 totalled BRL 205.1 million, equivalent to $39.4 million (2021: BRL 234.8 million, equivalent to $41.5 million). The Group has challenged these claims. A contingent liability has been disclosed for BRL 138.6 million, equivalent to $26.6 million (2021: BRL 177.4 million, equivalent to $31.3 million) as the disclosure criteria have been met however management believes that the likelihood of payment is not probable. A provision of BRL 66.5 million, equivalent to $12.8 million (2021: BRL 57.4 million, equivalent to $10.1 million) was recognised within the Consolidated Balance Sheet at 31 December 2022 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.

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.

34. 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)	**2022 31 Dec Carrying amount**	2021 31 Dec Carrying amount
Financial assets		
Restricted cash	**4.4**	5.7
Cash and cash equivalents (Note 24)	**645.6**	597.6
Financial assets mandatorily measured at fair value through profit or loss:		
Foreign exchange forward contracts	**1.1**	1.3
Embedded derivatives	**16.7**	43.5
Commodity derivatives	**–**	2.9
Financial assets elected to be measured at fair value through other comprehensive income:		
Commodity derivatives	**4.2**	12.8
Other financial assets – financial investments	**1.1**	1.3
Financial assets measured at amortised cost:		
Net trade receivables (Note 20)	**425.1**	513.1
Net non-current amounts due from associates and joint ventures (Note 18)	**35.8**	37.0
Net current amounts due from associates and joint ventures (Note 20)	**1.6**	2.5
Other financial receivables	**22.1**	19.2
Financial liabilities		
Financial liabilities mandatorily measured at fair value through profit or loss:		
Foreign exchange forward contracts	**(1.1)**	(3.9)
Embedded derivatives	**(34.3)**	(25.5)
Commodity derivatives	**(0.2)**	–
Contingent consideration	**(1.6)**	(6.6)
Financial liabilities elected to be measured at fair value through other comprehensive income:		
Commodity derivatives	**(0.3)**	–
Financial liabilities measured at amortised cost:		
Trade payables (Note 31)	**(317.5)**	(271.1)
Lease liabilities (Note 29)	**(257.0)**	(230.9)
Current amounts due to associates and joint ventures (Note 31)	**(7.3)**	(9.1)
Borrowings (Note 28)	**(356.0)**	(421.9)
Other financial payables	**(15.4)**	(13.4)

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)	**2022 31 Dec**	2021 31 Dec
Interest income from financial assets measured at amortised cost	**9.0**	4.7
Interest cost and fees from financial liabilities measured at amortised cost	**(20.2)**	(11.9)
Net fair value losses on financial assets measured at fair value through profit or loss	**(29.9)**	(6.6)
Net fair value losses on financial liabilities measured at fair value through profit or loss	**(6.2)**	(18.1)

Fees incurred in connection with financial instruments

Total fees incurred during the year in connection with financial instruments measured at amortised cost were $7.5 million (2021: $1.6 million).

Cash and cash equivalents

At 31 December 2022 the Group held cash and cash equivalents of $645.6 million (2021: $597.6 million) which included cash and cash equivalents available on demand of $170.0 million (2021: $321.4 million) and time deposits with financial institutions of $475.6 million (2021: $276.2 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)	**2022 31 Dec**	2021 31 Dec
Deposits:		
Counterparties rated prime grade	**115.0**	80.0
Counterparties rated high grade	**100.0**	–
Counterparties rated upper-medium grade	**175.0**	170.0
Counterparties rated lower-medium grade	**84.2**	21.4
Counterparties rated non-investment grade	**1.4**	4.8
Total	**475.6**	276.2

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;
- equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income; or
- derivative financial instruments.

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

At (in $ millions)	**31 Dec 2022 Assets**	**31 Dec 2022 Liabilities**	**31 Dec 2022 Total**	31 Dec 2021 Assets	31 Dec 2021 Liabilities	31 Dec 2021 Total
Non-current						
Embedded derivatives	**3.6**	**(28.2)**	**(24.6)**	23.8	(5.7)	18.1
Commodity derivatives	**1.7**	**(0.5)**	**1.2**	0.9	–	0.9
Total	**5.3**	**(28.7)**	**(23.4)**	24.7	(5.7)	19.0
Current						
Forward foreign exchange contracts	**1.1**	**(1.1)**	**–**	1.3	(3.9)	(2.6)
Embedded derivatives	**13.1**	**(6.1)**	**7.0**	19.7	(19.8)	(0.1)
Commodity derivatives	**2.5**	**–**	**2.5**	14.8	–	14.8
Total	**16.7**	**(7.2)**	**9.5**	35.8	(23.7)	12.1

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 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 2022, a fair value remeasurement gain of $nil (2021: $1.2 million) was recognised within other comprehensive income.

34. Financial instruments continued

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 2022, 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 2022 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 losses reported in other gains and losses by $20.8 million for the year ended 31 December 2022 (2021: $33.8 million increase to net foreign currency exchange gains). The impact would be a decrease in reported equity of $30.5 million (2021: increase of $23.1 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.

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

At 31 December 2022

	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	**120.3**	**–**	**129.3**	**–**	**0.1**	**–**
Euro	**64.7**	**–**	**50.4**	**–**	**(0.1)**	**–**
Total	**185.0**	**–**	**179.7**	**–**	**–**	**–**

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)	–

Hedge accounting

At 31 December 2022 the Group had designated commodity hedges of $3.8 million (2021: $12.8 million) 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)	**2022 31 Dec**	2021 31 Dec
At year beginning	**10.4**	–
Gains on the effective portion of derivative financial instruments deferred to equity:		
Cash flow on commodity hedges	**3.8**	12.8
Tax recognised in Other Comprehensive Income	**2.4**	(2.4)
Amounts reclassified to the Consolidated Income Statement	**(12.8)**	–
At year end	**3.8**	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 $2.7 million (2021: $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 is 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 2022 and at 31 December 2021 none of the Group's outstanding external forward foreign exchange contracts had been designated as hedging instruments.

34. Financial instruments continued

Commodity hedging

The Group enters into commodity hedging to manage risk on specific exposures, swapping floating price to fixed. At 31 December 2022 the fair values of commodity trades amounted to $4.2 million within financial assets (2021: $15.7 million) and $0.5 million within financial liabilities (2021: $nil).

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 2022 amounted to $16.7 million related to financial assets (2021: $43.5 million) and $34.3 million related to financial liabilities (2021: $25.5 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 2022, 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's facilities, as disclosed in Note 28 'Borrowings', utilise the Secured Overnight Financing Rate (SOFR) as the reference rate for borrowings, replacing the Inter-borrowing Offering Rate (IBOR).

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 122.

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 energy companies, international energy companies or independent 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.

34. Financial instruments continued

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)	**2022 31 Dec**	2021 31 Dec
Performing	**412.5**	434.9
Monitored	**14.6**	80.4
In default	**4.4**	3.9
Gross carrying amount	**431.5**	519.2

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)	**2022 31 Dec**	2021 31 Dec
Gross carrying amount	**431.5**	519.2
Allowance for expected credit losses	**(2.0)**	(2.2)
Allowance for credit impairments	**(4.4)**	(3.9)
Net carrying amount	**425.1**	513.1

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 2022

(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	**412.7**	**6.5**	**3.5**	**8.8**	**431.5**
Allowance for expected credit losses	**(2.0)**	**–**	**–**	**–**	**(2.0)**
Allowance for incurred credit impairments	**(0.3)**	**–**	**–**	**(4.1)**	**(4.4)**
Net carrying amount	**410.4**	**6.5**	**3.5**	**4.7**	**425.1**

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

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

(in $ millions)	**2022 31 Dec**	2021 31 Dec
Allowance for expected credit losses		
At year beginning	**(2.2)**	(2.7)
Decrease in allowance recognised in profit or loss	**0.2**	0.5
At year end	**(2.0)**	(2.2)

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

(in $ millions)	**2022 31 Dec**	2021 31 Dec
Allowance for credit impairment		
At year beginning	**(3.9)**	(23.3)
Increase in allowance recognised in profit or loss	**(2.5)**	–
Utilisation of allowance	**1.8**	4.0
Unused amounts released during the year	**0.2**	15.7
Exchange differences	**–**	(0.3)
At year end	**(4.4)**	(3.9)

During the year ended 31 December 2022, the Group collected $0.2 million trade receivables which had been credit impaired in the prior year (2021: $15.7 million).

Amounts due from associates and joint ventures

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Gross carrying amount	**41.1**	43.0
Allowance for incurred credit impairments	**(3.7)**	(3.5)
Net carrying amount	**37.4**	39.5

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 2022

(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	**30.4**	**–**	**–**	**10.7**	**41.1**
Allowance for credit impairments	**(0.2)**	**–**	**–**	**(3.5)**	**(3.7)**
Net carrying amount	**30.2**	**–**	**–**	**7.2**	**37.4**

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

34. Financial instruments continued

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)	**2022 31 Dec**	2021 31 Dec
Allowance for credit impairments		
At year beginning	**(3.5)**	(3.5)
Exchange differences	**(0.2)**	–
At year end	**(3.7)**	(3.5)

At 31 December 2022 the allowance for expected credit losses recognised in connection with amounts due from associates and joint ventures was $nil (2021: $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 2022 the allowances for expected credit losses and credit impairment recognised in connection with other financial assets at amortised cost were $nil (2021: $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	**2022 31 Dec Category percentage**	2021 31 Dec Category percentage
National energy companies	**18%**	28%
International energy companies	**30%**	19%
Independent energy companies	**52%**	53%
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 2022, three clients (2021: two clients) contributed individually to 10% or more of the Group's revenue. The revenue from these clients was $1,873.6 million or 36% of total Group revenue (2021: $1,296.3 million or 26%).

The five largest receivables balances by client are shown below:

At (in $ millions)	**31 Dec 2022**
Client A	**63.1**
Client B	**49.8**
Client C	**38.9**
Client D	**28.7**
Client E	**21.8**

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

The client mix for outstanding accounts receivable balances at 31 December 2022 is not the same as at 31 December 2021. The Group did not have any significant credit exposure to any single counterparty at 31 December 2022 or 31 December 2021.

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 2022, 38% (2021: 53%) of cash was held at counterparties with a credit rating lower than 'upper-medium grade' classification.

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 28 'Borrowings' are details of the undrawn facilities that the Group had at 31 December 2022.

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 2022

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Borrowings	**6.7**	**19.2**	**45.6**	**342.9**	**414.4**
Trade payables	**239.9**	**63.7**	**13.5**	**0.4**	**317.5**
Amounts due to associates and joint ventures	**7.3**	**–**	**–**	**–**	**7.3**
Lease liabilities	**9.2**	**19.5**	**79.1**	**175.9**	**283.7**
Total	**263.1**	**102.4**	**138.2**	**519.2**	**1,022.9**

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

The following table details the Group's liquidity profile for its derivative financial liabilities. 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 2022

(in $ millions)	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
Net settled:					
Embedded derivatives	**–**	**0.5**	**5.8**	**30.8**	**37.1**
Commodity hedging	**–**	**–**	**–**	**0.5**	**0.5**
Gross settled:					
Foreign exchange forward contract payments	**186.1**	**–**	**–**	**–**	**186.1**
Foreign exchange forward contract receipts	**(185.0)**	**–**	**–**	**–**	**(185.0)**
Total	**1.1**	**0.5**	**5.8**	**31.3**	**38.7**

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

34. Financial instruments continued

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 28 'Borrowings', cash and cash equivalents disclosed in Note 24 '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 2022	**421.9**	**230.9**	**–**	**(32.9)**	**(11.9)**	**(5.1)**	**602.9**
Financing cash flows							
Interest paid	(15.8)	(11.3)	–	–	–	–	(27.1)
Repayment of borrowings	(61.6)	–	–	–	–	–	(61.6)
Cost of share repurchases	–	–	–	(46.0)	–	–	(46.0)
Proceeds from rights issue of non-wholly-owned subsidiary	–	–	–	–	54.6	–	54.6
Payments related to lease liabilities	–	(99.4)	–	–	–	–	(99.4)
Dividends paid to shareholders of the parent company	–	–	(31.7)	–	–	–	(31.7)
Total financing cash flows	**(77.4)**	**(110.7)**	**(31.7)**	**(46.0)**	**54.6**	**–**	**(211.2)**
Non-cash changes							
Dividends declared	–	–	33.6	–	–	–	33.6
Addition of lease liabilities	–	77.4	–	–	–	–	77.4
Remeasurement of lease liabilities	–	62.4	–	–	–	–	62.4
Shares reallocated relating to share-based payments	–	–	–	3.9	(3.9)	–	–
Interest charges	11.5	11.3	–	–	–	0.6	23.4
Exchange differences	–	(14.3)	(1.9)	–	–	–	(16.2)
Total non-cash changes	**11.5**	**136.8**	**31.7**	**3.9**	**(3.9)**	**0.6**	**180.6**
Balance at 31 December 2022	**356.0**	**257.0**	**–**	**(75.0)**	**38.8**	**(4.5)**	**572.3**

	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)**	**(5.1)**	**602.9**

34. Financial instruments continued

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 2022 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)	**2022 31 Dec Level 1**	**2022 31 Dec Level 2**	**2022 31 Dec Level 3**	2021 31 Dec Level 1	2021 31 Dec Level 2	2021 31 Dec Level 3
Recurring fair value measurements						
Financial assets:						
Financial assets at fair value through profit or loss – derivative instruments	**–**	**1.1**	**–**	–	1.3	–
Financial assets at fair value through profit or loss – embedded derivatives	**–**	**16.7**	**–**	–	43.5	–
Financial assets at fair value through profit or loss – commodity derivatives	**–**	**–**	**–**	–	2.9	–
Financial assets at fair value through other comprehensive income – commodity derivatives	**–**	**4.2**	**–**	–	12.8	–
Financial liabilities:						
Financial liabilities at fair value through profit or loss – derivative instruments	**–**	**(1.1)**	**–**	–	(3.9)	–
Financial liabilities at fair value through profit or loss – embedded derivatives	**–**	**(34.3)**	**–**	–	(25.5)	–
Financial liabilities at fair value through profit or loss – commodity derivatives	**–**	**(0.2)**	**–**	–	–	–
Financial liabilities at fair value through other comprehensive income – commodity derivatives	**–**	**(0.3)**	**–**	–	–	–
Contingent consideration[a]	**–**	**–**	**(1.6)**	–	–	(6.6)

(a) A reconciliation of contingent consideration movements during the year is shown on page 135.

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 2022	Utilisation	Fair value adjustments	Exchange differences	Balance at 31 December 2022
Contingent consideration	**6.6**	**(0.7)**	**(3.8)**	**(0.5)**	**1.6**

- 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 reviews 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.

35. 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 2022 included 14 individuals (2021: 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 payable to and shares held by Non-Executive Directors for the year ended 31 December 2022 are disclosed in the Remuneration Report on pages 58 to 63.

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)	**2022 31 Dec**[(a)]	2021 31 Dec[(a)]
Salaries and other short-term employee benefits[(b)]	**5.2**	4.5
Share-based payments[(c)]	**0.5**	0.6
Post-employment benefits[(d)]	**0.2**	0.2
Total	**5.9**	5.3

(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 remuneration, 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 the Remuneration Report on pages 58 to 63 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.

Remuneration for the Chief Executive Officer and Chief Financial Officer

Total remuneration for the Chief Executive Officer and Chief Financial Officer is disclosed in the Remuneration Report on pages 58 to 63.

Shares and performance shares

Performance shares outstanding and shareholdings held at 31 December 2022 are disclosed in the Remuneration Report on pages 58 to 63.

Transactions with key management personnel

During the year, the Executive Management Team were awarded the rights to 254,000 performance shares under the Group's 2022 Long Term Incentive Plan. Refer to the Remuneration Report on pages 58 to 63 for details of the plan.

Transactions with associates and joint ventures

The Consolidated Balance Sheet includes:

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Net non-current receivables due from associates and joint ventures (Note 18)	**35.8**	37.0
Net trade receivables due from associates and joint ventures (Note 20)	**1.6**	2.5
Trade payables due to associates and joint ventures (Note 31)	**(7.3)**	(9.1)
Net receivables due from associates and joint ventures	**30.1**	30.4

During the year, the Group provided services to associates and joint ventures amounting to $1.2 million (2021: $1.0 million) and purchased goods and services from associates and joint ventures amounting to $14.8 million (2021: $17.6 million). During 2021, the Group advanced a loan of $33.0 million to Eidesvik Seven AS, of which $30.1 million remained outstanding at 31 December 2022. The loan is repayable in instalments with the final amount due on 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.

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 $32.6 million (2021: $21.4 million) 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 $0.3 million (2021: $0.5 million) was recognised during the year.

At 31 December 2022, the Group had outstanding balances payable to companies ultimately controlled by Siem Industries S.A. of $1.4 million (2021: $1.9 million).

At 31 December 2022, the Group had outstanding balances receivable from companies ultimately controlled by Siem Industries S.A. of less than $0.1 million (2021: less than $0.1 million).

36. Share-based payments

The Group operated three equity-settled share-based payment schemes during 2022.

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

For the year ended (in $ millions)	**2022 31 Dec**	2021 31 Dec
Expense arising from equity-settled share-based payment transactions:		
2013 Long Term Incentive Plan	**0.2**	0.6
2018 Long Term Incentive Plan	**3.0**	3.3
2022 Long Term Incentive Plan	**0.3**	–
Total	**3.5**	3.9

Equity-settled share-based payment schemes

Details regarding the 2013 Long Term Incentive Plan (2013 LTIP Plan), the 2018 Long Term Incentive Plan (2018 LTIP Plan) and the 2022 Long Term Incentive Plan (2022 LTIP Plan), including number of shares transferred to participants, are disclosed within the Remuneration Report on pages 58 to 63.

The IFRS 2 'Share-based Payments' fair value of each performance share granted under the 2013, 2018 and 2022 LTIP Plans is estimated as of the grant date using a Monte Carlo simulation model with weighted average assumptions as follows:

For the year ended	**2022 31 Dec**	2021 31 Dec
Weighted average share price at grant date (in $)	**7.99**	8.79
TSR performance – Weighted average fair value at grant date (in $)	**4.92**	4.90
ROAIC performance – Weighted average fair value at grant date (in $)	**7.62**	8.12
CCR performance – Weighted average fair value at grant date (in $)	**7.62**	–
Expected volatility	**58%**	55%
Risk free rate	**3.08%**	1.22%
Dividend yield	**1.30%**	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.

Both non-market Return on Average Invested Capital (ROAIC) and Cash Conversion Ratio (CCR) performance conditions are not incorporated into the grant date fair value. 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 and CCR performance conditions.

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 2022, three plans vested in total, one plan vested under the 2013 scheme and two plans vested under the 2018 scheme. The total estimated withholding tax transferred to the relevant tax authorities was $2.2 million (2021: $1.7 million). Of this total, $0.6 million was in relation to employee social security contributions and $1.6 million was in relation to income tax.

37. 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 $51.1 million (2021: $48.5 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

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.

Under the plan, pensions are paid upon retirement based on the employee's length of service and final salary. 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.

37. 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)	**2022**	2021	**2022**	2021	**2022**	2021
Defined benefit obligation						
At year beginning	**(8.6)**	(13.5)	**(9.7)**	(12.2)	**(18.3)**	(25.7)
Amounts (charged)/credited to the Consolidated Income Statement:						
Service costs	**–**	–	**(0.8)**	(1.0)	**(0.8)**	(1.0)
Past service credit	**–**	5.7	**–**	1.5	**–**	7.2
Interest costs	**(0.1)**	(0.1)	**(0.1)**	(0.1)	**(0.2)**	(0.2)
Employee taxes	**–**	(0.1)	**–**	–	**–**	(0.1)
Sub-total	**(0.1)**	5.5	**(0.9)**	0.4	**(1.0)**	5.9
Remeasurement gains/(losses) recognised in other comprehensive income:						
Actuarial changes arising from changes in demographic assumptions	**–**	–	**–**	0.5	**–**	0.5
Actuarial changes arising from changes in financial assumptions	**–**	–	**3.2**	–	**3.2**	–
Experience adjustments	**0.5**	(0.7)	**(0.6)**	0.4	**(0.1)**	(0.3)
Sub-total	**0.5**	(0.7)	**2.6**	0.9	**3.1**	0.2
Benefits paid	**0.3**	0.2	**–**	0.2	**0.3**	0.4
Exchange differences	**0.2**	(0.1)	**0.7**	1.0	**0.9**	0.9
At year end	**(7.7)**	(8.6)	**(7.3)**	(9.7)	**(15.0)**	(18.3)
Fair value of plan assets						
At year beginning	**6.0**	12.2	**–**	–	**6.0**	12.2
Amounts (charged)/credited to the Consolidated Income Statement:						
Past service credit	**–**	(6.5)	**–**	–	**–**	(6.5)
Interest income	**0.1**	0.1	**–**	–	**0.1**	0.1
Sub-total	**0.1**	(6.4)	**–**	–	**0.1**	(6.4)
Remeasurement gains/(losses) recognised in other comprehensive income:						
Return on plan assets (excluding amounts in interest income)	**0.1**	0.4	**–**	–	**0.1**	0.4
Administrative expenses	**(0.1)**	(0.1)	**–**	–	**(0.1)**	(0.1)
Sub-total	**–**	0.3	**–**	–	**–**	0.3
Benefits paid	**(0.3)**	(0.2)	**–**	–	**(0.3)**	(0.2)
Exchange differences	**–**	0.1	**–**	–	**–**	0.1
At year end	**5.8**	6.0	**–**	–	**5.8**	6.0
Net defined benefit obligation	**(1.9)**	(2.6)	**(7.3)**	(9.7)	**(9.2)**	(12.3)
Presented as:						
Retirement benefit obligations	**(1.9)**	(2.6)	**(7.3)**	(9.7)	**(9.2)**	(12.3)
Total	**(1.9)**	(2.6)	**(7.3)**	(9.7)	**(9.2)**	(12.3)

The retirement benefit obligations of $9.2 million (2021: $12.3 million) for pension schemes which are in deficit in Norway and France are recognised as non-current liabilities on the Consolidated Balance Sheet.

Unfunded schemes

Included within the defined benefit obligation are amounts arising from unfunded French plans with a total obligation of $7.3 million (2021: $9.7 million).

Funded schemes

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

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Investments quoted in active markets		
Quoted equity investments	**0.7**	0.7
Unquoted investments		
Bonds	**3.3**	2.9
Property	**0.9**	1.1
Other	**0.9**	1.3
Total	**5.8**	6.0

Future cash flows

The estimated contributions expected to be paid into the French and Norwegian plans during 2023 are $0.6 million (2022: $0.5 million).

The average remaining service periods were as follows:

At (in years)	**2022 31 Dec**	2021 31 Dec
Norway office (onshore) plan	**–**	3.0

Significant actuarial assumptions

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

Year ended 31 December 2022

(in %)	**Norway**	**France**
Pension increase	**0.0 – 3.50**	**–**
Discount rate	**3.2**	**3.8**
Future salary increase	**3.8**	**0.2**

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

37. 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	**2022 31 Dec**	2021 31 Dec
Norway office (onshore) plan	67 years	Male	**23.4**	23.8
	67 years	Female	**25.5**	26.1

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions at 31 December 2022 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	**(0.1)**	**0.1**	**0.1**	**(0.1)**	**–**	**–**

France

(in $ millions)	**Discount rate**	
Sensitivity level	0.25% increase	0.25% decrease
Impact on the net defined benefit obligation	**0.2**	**(0.2)**

38. Deferred revenue

At (in $ millions)	**2022 31 Dec**	2021 31 Dec
Advances received from clients	**1.5**	0.9

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.

39. Events after the reporting period

Borrowings

On 23 February 2023, the Group borrowed an additional $300 million under the UK Export Finance (UKEF) facility. The facility's availability period ended on 24 February 2023. At 2 March 2023, the amount outstanding under this facility, net of facility fees, was $494.6 million.

Dividends

The Board will propose a NOK 4.00 per share dividend, equivalent to a total of approximately $110 million, at the Annual General Meeting on 18 April 2023. At arriving at this proposal, the Board took into consideration the financial performance and prospects of the Group, the NOK 1.00 regular dividend policy commitment and the status of the 2022 share repurchase programme.

40. Wholly-owned subsidiaries

Subsea 7 S.A. had the following wholly-owned subsidiaries at 31 December 2022.

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
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
Subsea 7 NL B.V. (formerly SHL Contracting B.V.)	Netherlands	General Trading
SO France S.A.	France	Special Purpose
Subsea 7 (Guyana) Incorporated	Guyana	General Trading
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
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 Korea Co., Ltd	South Korea	General Trading

Name	Registered in	Nature of business
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 Sénégal 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 Engineering France S.A.S. (formerly Subsea 7 West Africa S.A.S.)	France	General Trading
Subsea Seven Doha Oil & Gas Services and Trading LLC	Qatar	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 Greenfuel Development Company Pty Ltd	Australia	Special Purpose
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
Xodus Group B.V.	Netherlands	General Trading
Xodus Group Consultants Sdn. Bhd	Malaysia	General Trading
Xodus Group Inc	US	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-1471 Luxembourg.

Additional information – APMs

The Group utilise Alternative Performance Measures (APMs) when evaluating financial performance, financial position and cash flows which are not defined or specified under International Financial Reporting Standards (IFRS), as adopted by the EU. Management consider these non-IFRS measures, which are not a substitute for IFRS measures, provide stakeholders with additional information to further understand the Group's financial performance, financial position and cash flows.

APM	Description	Closest equivalent IFRS measure	Adjustments to reconcile to primary financial statements	Rationale for utilising APM
Income Statement APMs				
Adjusted EBITDA and Adjusted EBITDA margin	Adjusted earnings before interest, taxation, depreciation and amortisation represents net income/(loss) before additional specific items that are considered to impact the comparison of the Group's performance either period-on-period or with other businesses. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue, expressed as a percentage.	Net income/(loss)	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 and Adjusted EBITDA margin are important indicators of the operational strength and the performance of the Group and provide a meaningful comparative for its business units. The presentation of Adjusted EBITDA is also useful as it is similar to measures used by companies within Subsea7's peer group. Adjusted EBITDA margin may also be a useful ratio to compare performance to the Group's competitors and is widely used by shareholders and analysts. 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.
Effective tax rate (ETR)	The effective tax rate is expressed as a percentage, calculated as the taxation expense/(credit) divided by the income/(loss) before taxes.	Taxation	n/a	Provides a useful and relevant measure of the effectiveness of the Group's tax strategy and tax planning.
Balance Sheet APM				
Net cash/(debt) excluding lease liabilities and net cash/(debt) including lease liabilities	Net cash/(debt) is defined as cash and cash equivalents less borrowings. The Group utilises both net cash/(debt) excluding lease liabilities and net cash/(debt) including lease liabilities as financial position measures.	No direct equivalent	Calculated as cash and cash equivalent less borrowings (current and non-current). The measure may exclude lease liabilities (current and non-current) or include them.	Net cash/(debt) provides a meaningful and reliable basis to evaluate financial strength and liquidity of the Group.
Cash flow APMs				
Cash conversion	Cash conversion is defined as net cash generated from operating activities, add back income taxes paid, divided by Adjusted EBITDA, expressed as a percentage.	No direct equivalent	Calculated as net cash generated from operating activities in the Group's Consolidated Cash Flow Statement, add back income taxes paid and divide by Adjusted EBITDA.	Cash conversion is a financial management tool to determine the efficiency of the Group's ability to generate cash from its operating activities.
Free cash flow	Free cash flow is defined as net cash generated from operating activities less purchases of property, plant and equipment and intangible assets.	No direct equivalent	Calculated as net cash generated from operating activities from the Group's Consolidated Cash Flow Statement less purchases of property, plant and equipment and intangible assets.	Free cash flow is a relevant metric for shareholders and analysts when determining cash available to the Group to invest or potentially distribute.

Additional information – APMs continued

Other APMs				
Backlog	Backlog represents expected future revenue from projects. Awards to associates and joint ventures are excluded from backlog figures, unless otherwise stated. Despite being a non-IFRS term, the Group recognises backlog in accordance with the requirements of IFRS 15, 'Revenue from Contracts with Customers', which represents revenue expected to be recognised in the future related to performance obligations which are unsatisfied, or partially unsatisfied, at the reporting date.	Transaction price allocated to the remaining performance obligations	n/a	Utilising the term backlog is in accordance with expected industry-wide terminology. It is similarly used by companies within Subsea7's peer group and is a helpful term for those evaluating companies within Subsea7's industry. Backlog may also be useful to compare performance with competitors and is widely used by shareholders and analysts. Notwithstanding this, backlog presented by the Group may not be comparable to similarly titled measures reported by other companies.
Book-to-bill ratio	Book-to-bill ratio represents total order intake divided by revenue for the reporting period.	No direct equivalent	n/a	The book-to-bill metric is widely used in the energy sector by shareholders and analysts and is a helpful term for those evaluating companies within Subsea7's industry. Notwithstanding this, the book-to-bill ratio presented by the Group may not be comparable to similarly titled measures reported by other companies.

APM calculations

Reconciliation of net operating income to Adjusted EBITDA and Adjusted EBITDA margin:

For the period (in $ millions)	2022 31 Dec (Unaudited)	2021 31 Dec (Unaudited)
Net operating income	**148.8**	71.7
Depreciation, amortisation and mobilisation	**467.6**	443.8
Impairment of property, plant and equipment	**2.3**	4.1
Impairment reversal of property, plant and equipment	**(55.6)**	–
Impairment of intangible assets	**–**	4.8
Net impairment reversal of right-of-use assets	**(3.7)**	(3.5)
Adjusted EBITDA	**559.4**	520.9
Revenue	**5,135.8**	5,010.0
Adjusted EBITDA margin	**10.9%**	10.4%

Reconciliation of net income to Adjusted EBITDA and Adjusted EBITDA margin:

For the period (in $ millions)	2022 31 Dec (Unaudited)	2021 31 Dec (Unaudited)
Net income	**36.4**	36.4
Depreciation, amortisation and mobilisation	**467.6**	443.8
Impairment of property, plant and equipment	**2.3**	4.1
Impairment reversal of property, plant and equipment	**(55.6)**	–
Impairment of intangible assets	**–**	4.8
Net impairment reversal of right-of-use assets	**(3.7)**	(3.5)
Finance income	**(9.0)**	(4.7)
Other gains and losses	**(1.9)**	(44.4)
Finance costs	**23.4**	20.1
Taxation	**99.9**	64.3
Adjusted EBITDA	**559.4**	520.9
Revenue	**5,135.8**	5,010.0
Adjusted EBITDA margin	**10.9%**	10.4%

Effective tax rate

For the period (in $ millions)	2022 31 Dec (Unaudited)	2021 31 Dec (Unaudited)
Taxation	**99.9**	64.3
Income before taxation	**136.3**	100.7
Effective tax rate (percentage)	**73.3%**	63.9%

Net cash/(debt) excluding lease liabilities and net cash/(debt) including lease liabilities

At (in $ millions)	2022 31 Dec (Unaudited)	2021 31 Dec (Unaudited)
Cash and cash equivalents	**645.6**	597.6
Total borrowings	**(356.0)**	(421.9)
Net cash/(debt) excluding lease liabilities	**289.6**	175.7
Total lease liabilities	**(257.0)**	(230.9)
Net cash/(debt) including lease liabilities	**32.6**	(55.2)

Additional information – APMs continued

Free cash flow

For the period (in $ millions)	**2022 31 Dec (Unaudited)**	2021 31 Dec (Unaudited)
Cash generated from operating activities	**485.8**	293.0
Purchases of property, plant and equipment and intangible assets	**(231.0)**	(166.5)
Free cash flow	**254.8**	126.5

Cash conversion ratio

For the period (in $ millions)	**2022 31 Dec (Unaudited)**	2021 31 Dec (Unaudited)
Cash generated from operating activities	**485.8**	293.0
Taxes paid	**103.2**	67.5
	589.0	360.5
Adjusted EBITDA	**559.4**	520.9
Cash conversion ratio	**1.1**	0.7

Backlog

The IFRS 15 'Revenue from Contracts with Customers' disclosure in relation to remaining performance obligations is contained in Note 23 'Construction contracts'. Unless otherwise stated, backlog and remaining performance obligations, as required by IFRS 15, will be the same number. Backlog by year of execution is as follows:

At (in $ millions)	**2022 31 Dec (Unaudited)**	2021 31 Dec (Unaudited)
Total backlog	**9,007.6**	7,211.7
Expected year of utilisation:		
2022	**–**	4,299.7
2023	**4,204.0**	1,982.6
2024	**2,959.5**	801.1
2025	**1,262.8**	128.3
2026 and thereafter	**581.3**	–

Book-to-bill ratio

For the period (in $ millions)	**2022 31 Dec (Unaudited)**	2021 31 Dec (Unaudited)
Order intake	**7,096.1**	6,088.5
Revenue	**5,135.8**	5,010.0
Book-to-bill ratio	**1.4x**	1.2x

Additional Information - EU Taxonomy Disclosure

Revenue (turnover)

Economic activities[1]	Code(s)	Absolute turnover 2022 (3)	Proportion of turnover (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Circular economy (7)	Pollution (8)	Biodiversity and ecosystems (9)	Minimum safeguards (10)	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	**Taxonomy-aligned proportion of turnover 2022** (18)	Taxonomy-aligned proportion of turnover 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		$m	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity generation from wind power	4.3	1,024.3	20%	100%						N/A	Yes	Yes	Yes	N/A	Yes	Yes	**20%**			
Transportation of CO_2	5.11	36.6	1%	100%						N/A	Yes	Yes	N/A	N/A	Yes	Yes	**1%**		E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		1,060.9	21%																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Electricity generation from wind power	4.3	41.2	1%																	
Transportation of CO_2	5.11	3.5	0%																	
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy aligned activities) (A.2)		44.7	1%																	
Total (A.1 + A.2)		1,105.6	22%																	
B. TAXONOMY-NONELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-noneligible activities (B)		4,030.3	78%																	
Total (A + B)		5,135.9	100%																	

EU Taxonomy Disclosure continued

Capex

Economic activities[1]	Code(s) (2)	Absolute CAPEX 2022 (3)	Proportion of CAPEX (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Circular economy (7)	Pollution (8)	Biodiversity and ecosystems (9)	Minimum safeguards (10)	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	**Taxonomy-aligned proportion of CAPEX 2022 (18)**	Taxonomy-aligned proportion of CAPEX 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		$m	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	**%**	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity generation from wind power	4.3	121.9	33%	100%	0%					N/A	Yes	Yes	Yes	N/A	Yes	Yes	**33%**			
CAPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		121.9	33%																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Electricity generation from wind power	4.3	–	0%																	
CAPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		–	0%																	
Total (A.1 + A.2)		121.9	33%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CAPEX of Taxonomy-non-eligible activities (B)		251.7	67%																	
Total (A + B)		373.6	100%																	

Opex

Economic activities[1]	Code(s) (2)	Absolute OPEX 2022 (3)	Proportion of OPEX (4)	Substantial contribution criteria: Climate change mitigation (5)	Climate change adaptation (6)	Circular economy (7)	Pollution (8)	Biodiversity and ecosystems (9)	Minimum safeguards (10)	DNSH criteria ('Does Not Significantly Harm'): Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	**Taxonomy-aligned proportion of OPEX 2022** (18)	Taxonomy-aligned proportion of OPEX 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		$m	%	%	%						Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	**%**	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
Electricity generation from wind power	4.3	17.3	16%	100%						N/A	Yes	Yes	Yes	N/A	Yes	Yes	**16%**			
OPEX of environmentally sustainable activities (Taxonomy-aligned) (A.1)		17.3	16%																	
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Electricity generation from wind power	9.1	0.4	0%																	
OPEX of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.4	0%																	
Total (A.1 + A.2)		17.7	17%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OPEX of Taxonomy-non-eligible activities (B)		87.4	83%																	
Total (A + B)		105.1	100%																	