

Class 3 (UK) Limited

Report and Financial Statements

For the year ended 31 December 2016

Registered Number 08695622



Class 3 (UK) Limited

Report and Financial Statements for the year ended 31 December 2016

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Class 3 (UK) Limited

Registered No. 08695622

Directors and Other Information for the year ended 31 December 2016

Directors

Simon Ellis
John Gordon
Steph McNeill
Jonathan Tame

Company Secretary

Lorna Peace

Registered Office

40 Brighton Road
Sutton
Surrey
SM2 5BN

Independent Auditor

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Strategic Report
for the year ended 31 December 2016

The Directors present their Strategic Report for Class 3 (UK) Limited (the "Company") for the year ended 31 December 2016. This report is specific to the Company and not the wider Subsea 7 group. The results for the wider Subsea 7 group are contained within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. which can be found at www.subsea7.com.

Review of the business

The principal activity of the Company during the year was the provision of vessel services to fellow Subsea 7 S.A. group (the "Group") undertakings.

The loss for the year, after taxation was \$9.4 million (2015: \$1.6 million profit). This loss was mainly due to depreciation of \$20.5 million (\$44.9 million). The Directors proposed and approved the payment of a dividend of \$740.0 million in May 2017.

As at 1 January 2016, the Company owned one vessel (Seven Borealis) and seven cargo barges. During the year, the Company sold the Seven Borealis to another Group undertaking, Subsea 7 Shipping Limited, at net book value.

The Company's costs mainly consist of depreciation of and insurance costs for the tangible assets.

Key performance indicators

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

The Directors are satisfied with the performance and results of the Company for the year.

Principal risks and uncertainties

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

Economic risk

The Company primarily provides services to other Group companies. Demand for the Group's services is ultimately dependent on the level of activity in the oil and gas and renewable energy industries and, consequently, any significant change in the level or timing of clients' expenditure plans could adversely impact order intake and levels of activity. Such plans could be impacted by demand for, and the price of, oil and gas and renewable energy. In the current economic climate, failure by a client or a client experiencing financial difficulties could lead to late or non-collection of amounts owed. In the medium term, demand for these hydrocarbons could also be affected by the introduction of alternative energy sources.

The Company, via the wider Group, works closely with its clients to understand their future plans and where appropriate seeks to diversify selectively into new markets within the oil and gas and renewable energy service sector. The financial strength and solvency of clients is always considered before entering into a contract and is a specific area of focus in the current economic climate. In addition the Company has reviewed, adjusted and continues to adjust its cost base to reflect the current uncertainties in the market.

Compliance and ethics

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

Strategic Report (continued)
for the year ended 31 December 2016***Compliance and ethics (continued)***

The Group's Code of Conduct is applicable to the Company and clearly sets out the behaviours expected of its employees and those who work with it. Mandatory e-learning courses are used to raise awareness of the Code of Conduct within the Group and encourage compliance. The Group has policies, procedures and controls in place to support and implement the Code of Conduct.

Credit risk

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

Cash flow and liquidity risk

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

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

On behalf of the Board



Simon Ellis

Director

6 September 2017

Directors' Report
for the year ended 31 December 2016

The Directors present their report for Class 3 (UK) Limited (the "Company") for the year ended 31 December 2016. This report is specific to the Company and not the wider Subsea 7 group. The results for the wider Subsea 7 group are contained within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A. which can be found at www.subsea7.com.

Directors

The names of the current Directors are listed on page 1. All held office throughout the year.

Qualifying third party indemnity provisions

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

Principal activities

The principal activity of the Company during the year was the provision of vessel services to fellow Subsea 7 S.A. group (the "Group") undertakings. As at 1 January 2016, the Company owned one vessel (Seven Borealis) and seven cargo barges. During the year, the Company sold the Seven Borealis to another Group undertaking, Subsea 7 Shipping Limited, at net book value.

There have been no further changes in the Company's principal activities during the year and the Directors are not aware, at the date of this report, of any likely changes in the Company's activities in the forthcoming year.

Results and performance

The Statement of Comprehensive Income for the year is set out on page 9. The Company's total comprehensive loss for the financial year of \$9.4 million (2015: \$1.6 million profit) has been transferred to reserves.

Dividends

The Company does not have a formal dividend policy. Dividends are recommended based on a review of financial position and financial performance by the Directors. The Directors proposed and approved the payment of a dividend of \$740.0 million in May 2017.

Financial instruments

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

Future developments

As part of the Group, the Company is well positioned to take advantage of future opportunities in a highly competitive and cost efficient market. The Company expects that the market will remain competitive as new competitors emerge and existing companies are increasing their capabilities. Activity levels of the Company in 2017 are expected to fall compared to the prior year. The Directors expect that revenue will fall in 2017 due to the disposal of the Seven Borealis and a reduction in revenue earned from rental of assets.

Industry conditions remain challenging as oil and gas and renewable energy prices continue to impact levels of industry activity and new project awards. The timing of market recovery remains uncertain however assuming the oil price increases and cost reductions identified by the industry are achieved there is cause to believe that project awards could increase in the short to medium term. The fundamental long-term outlook for subsea field developments remains intact and industry activity is expected to recover when the oil and gas and renewable energy market rebalances. The Company has already implemented a number of initiatives to strengthen its position and will continue to actively adapt to industry conditions without losing focus on long-term strategic priorities.

Directors' Report (continued)
for the year ended 31 December 2016**Going concern**

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to economic, compliance and ethics, credit and cash flow and liquidity risks are described above and in the Strategic Report.

The Directors have considered the forecast cash flow of the Company and the associated utilisation of cargo barges on projects. Forecast utilisation for cargo barges owned by the Company is considered to be sufficient to support continued chartering and trading operations for a period of twelve months from approval of the Financial Statements. In addition the Directors believe that should additional short-term or long-term funding be required, over and above that available within the Company, this would be made available from other Group companies.

The Company has net assets of \$751.3 million. A significant proportion of the Company's net assets consist of short term receivables from other Group undertakings. An impairment review has been performed on these balances and no provision has been made. Due to the significant financial resources of the Group, the Directors consider the balances to be recoverable.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

Events since the Balance Sheet date

Due to the voluntary liquidation of Class 3 Shipping Limited, the ownership of the Company was assigned to Acergy (Gibraltar) Limited on 27 January 2017.

In May 2017, the Directors of the Company executed a resolution to reduce the Company's paid in surplus reserve by \$768.0 million. The reduction is credited to retained earnings. Following this, the Directors proposed and approved the payment of a \$740.0 million dividend, to the Company's immediate parent company, Acergy (Gibraltar) Limited.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under Company law the Directors must not approve the Report and Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the Report and Financial Statements;
- prepare the Report and Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Report and Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Report (continued)
for the year ended 31 December 2016

Disclosure of information to auditor

The Directors who were members of the Board at the time of approving the Directors' Report are listed on page 1. Having made enquiries of fellow Directors and of the Company's auditors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditor

Ernst & Young LLP have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

On behalf of the Board



Simon Ellis
Director
6 September 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLASS 3 (UK) LIMITED

We have audited the financial statements of Class 3 (UK) Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLASS 3 (UK) LIMITED (continued).

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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

Ernst & Young LLP

Kevin Weston (Senior Statutory Auditor)

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

Aberdeen

8 September 2017

Class 3 (UK) Limited

Statement of Comprehensive Income for the year ended 31 December 2016

	Note	2016 \$000	2015 \$000
Revenue	5	6,908	84,446
Operating expenses		(20,697)	(82,572)
Net operating (loss)/income	6	(13,789)	1,874
Finance income	10	4,746	1,584
Other gains and losses	11	(3,035)	75
Net (loss)/income before taxes		(12,078)	3,533
Taxation	12	2,677	(1,908)
Net (loss)/income		(9,401)	1,625

Class 3 (UK) Limited

Balance Sheet

As at 31 December 2016

	Note	2016 \$000	2015 \$000
Assets			
Non-current assets			
Property, plant and equipment	13	16,470	618,564
		16,470	618,564
Current assets			
Trade and other receivables	14	742,323	148,654
Cash and cash equivalents		3	1,241
		742,326	149,895
Total assets		758,796	768,459
Equity			
Issued share capital	15	-	-
Paid in surplus		768,117	768,117
Accumulated deficit		(16,776)	(7,375)
Equity attributable to shareholders		751,341	760,742
Liabilities			
Non-current liabilities			
Deferred tax liabilities	12	566	579
		566	579
Current liabilities			
Trade and other liabilities	17	6,558	7,138
Current tax liabilities		331	-
		6,889	7,138
Total liabilities		7,455	7,717
Total equity and liabilities		758,796	768,459

The notes to these Financial Statements on pages 12 to 22 are an integral part of these Financial Statements.

The Financial Statements of Class 3 (UK) Limited, Company Number 08695622 on pages 9 to 22 were approved by the Board of Directors on 6 September 2017 and were signed on its behalf by:



Simon Ellis
Director

Class 3 (UK) Limited

Statement of Changes in Equity for the year ended 31 December 2016

	Issued share capital \$000	Paid in surplus \$000	Accumulated deficit \$000	Total \$000
Balance at 1 January 2016	-	768,117	(7,375)	760,742
Comprehensive income				
Net loss	-	-	(9,401)	(9,401)
Total comprehensive loss	-	-	(9,401)	(9,401)
Balance at 31 December 2016	-	768,117	(16,776)	751,341

	Issued share capital \$000	Paid in surplus \$000	Accumulated deficit \$000	Total \$000
Balance at 1 January 2015	-	747,576	(9,000)	738,576
Comprehensive income				
Net income	-	-	1,625	1,625
Total comprehensive income	-	-	1,625	1,625
Transactions with owners				
Shares issued	-	20,541	-	20,541
Total transactions with owners	-	20,541	-	20,541
Balance at 31 December 2015	-	768,117	(7,375)	760,742

Class 3 (UK) Limited

Notes to the Financial Statements for the year ended 31 December 2016

1 General information

The Financial Statements and notes contained within this document are specific to Class 3 (UK) Limited (the "Company") and not the wider Subsea 7 S.A. group. The results for the wider Subsea 7 group are contained within the Annual Report and Consolidated Financial Statements of Subsea 7 S.A., which can be found at www.subsea7.com.

The Financial Statements of the Company for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 6 September 2017. The Company is a limited company incorporated and domiciled in the United Kingdom. The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

Basis of preparation

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. In line with 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980)' the Company has chosen to adapt the formats of the Balance Sheet and Statement of Comprehensive Income and has applied the relevant presentation requirements of IAS 1 'Presentation of Financial Statements'.

The Financial Statements are presented in United States Dollars (\$) which is the Company's functional and presentation currency, being the currency of the primary economic environment in which the Company operates. All values are rounded to the nearest thousand dollars (\$000) except when otherwise indicated.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IAS 7 'Statement of Cash Flows',
- (b) the requirements of paragraph 17 of IAS 24 'Related Party Disclosures' (requirement to disclose key management personnel compensation in total),
- (c) the requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective),
- (d) the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member,
- (e) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment';
- (f) the following paragraphs of IAS 1 'Presentation of Financial Statements'.
 - 10(d) (statement of cash flows),
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its Financial Statements, or when it reclassifies items in its Financial Statements),
 - 16 (statement of compliance with IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-38D (additional comparative information),
 - 40A-40D (requirements for a third statement of financial position),
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures)

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Notes to the Financial Statements (continued) for the year ended 31 December 2016

1 General information (continued)

Basis of preparation (continued)

(g) the requirements of IFRS 7 'Financial Instruments: Disclosures',

(h) the requirements of paragraphs 91 to 99 of IFRS 13 'Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).

Going concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives and its exposures to economic, compliance and ethics, credit and cash flow and liquidity risks are described above and in the Strategic Report.

The Directors have considered the forecast cash flow of the Company and the associated utilisation of cargo barges on projects. Forecast utilisation for cargo barges owned by the Company is considered to be sufficient to support continued chartering and trading operations for a period of twelve months from approval of the Financial Statements. In addition the Directors believe that should additional short-term or long-term funding be required, over and above that available within the Company, this would be made available from other Group companies.

The Company has net assets of \$751.3 million. A significant proportion of the Company's net assets consist of short term receivables from other Group undertakings. An impairment review has been performed on these balances and no provision has been made. Due to the significant financial resources of the Group, the Directors consider the balances to be recoverable.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Financial Statements.

2 Adoption of new accounting standards

No new International Financial Reporting Standards (IFRS) were adopted by the Company for the financial year beginning 1 January 2016. Amendments effective for the financial year beginning 1 January 2016 have been adopted however none of these amendments have had a material impact on the financial results of the Company.

3 Judgement and key sources of estimation uncertainty

In the application of the Company's accounting policies which are described in Note 4 '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 the Company 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 on-going basis. Revisions to accounting estimates are recognised prospectively in the period in which the estimate is revised.

Property, plant and equipment

Property, plant and equipment are 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 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 value of property, plant and equipment may not be recoverable, a review for impairment is carried out by management. This involves the estimation of future cash flows attributable to the asset and an applicable discount rate. Where required, fair value less costs of disposal is estimated internally or by obtaining a third party valuation. Costs of disposal are included where a reliable estimate can be made.

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Notes to the Financial Statements (continued) **for the year ended 31 December 2016**

3 Judgement and key sources of estimation uncertainty (continued)

Carrying value of loans and receivables

Loans and receivables are reviewed at least annually for objective evidence to indicate whether the carrying values are impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or default or significantly delay payments are considered to be objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recognised. In determining this, management reviews historical experience, recent and expected future financial performance and financial position. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

4 Significant accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Service revenues

Revenues received for the provision of services under charter agreements, day-rate contracts, reimbursable/cost-plus contracts and similar contracts are recognised on an accruals basis as services are provided.

Dry-dock, mobilisation and decommissioning expenditure

Dry-dock expenditure incurred to maintain a vessel's classification is capitalised 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 is derecognised. All other repair and maintenance costs are recognised in the Statement of Comprehensive Income as incurred.

Mobilisation expenditures, which consist of expenditure incurred prior to the deployment of vessels or equipment, are classified as prepayments and expensed over the project life.

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 as property, plant and equipment, when the Company recognises it has a present obligation and a reliable estimate can be made of the amount of the obligation.

Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

At 31 December 2016 the main exchange rates used throughout the Company, compared to the United States Dollars, were as follows:

GBP	0.809
EUR	0.959

Finance income

Finance income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Finance income is accrued by reference to the principal outstanding and the interest rate applicable.

Class 3 (UK) Limited

Notes to the Financial Statements (continued) **for the year ended 31 December 2016**

4 Significant accounting policies (continued)

Dividends

Dividends are measured at the fair value of consideration paid or payable. Dividends are recognised when the shareholders' right to receive the payment is established, which is generally when shareholders approve the dividend.

Taxation

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

Deferred taxes

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, with the following exception; deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the future tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date.

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the Statement of Comprehensive Income.

Property, plant and equipment

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

Assets under construction are carried at cost, less any recognised impairment charge. Depreciation of these assets commences when the assets are ready for their intended use.

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

Vessels	10 to 25 years
Other assets	3 to 7 years

Residual values, useful lives and methods of depreciation are reviewed at least annually and adjusted as appropriate.

The gains or losses arising on disposal of assets are determined as the difference between any disposal proceeds and the carrying amount of the asset. These are recognised in the Statement of Comprehensive Income in the period that the asset is disposed of.

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Notes to the Financial Statements (continued) **for the year ended 31 December 2016**

4 Significant accounting policies (continued)

Impairment of non-financial assets

At each Balance Sheet date the Company assesses whether there is any indication that non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value-in-use. Where an asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset is allocated.

Where the carrying amount of an asset exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable value. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects a normalised capital structure for the industry. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each Balance Sheet date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss 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 loss been recognised for the asset in prior years. Any such reversal is recognised in the Statement of Comprehensive Income.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity. The classification depends on the nature and purpose of the financial assets and liabilities which is determined at the time of initial recognition.

The Company's financial assets include cash and cash equivalents and trade and other receivables.

The Company's financial liabilities include trade and other liabilities.

All financial instruments are initially measured at cost plus transaction costs.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank, cash on hand and short-term highly liquid assets with an original maturity of three months or less and readily convertible to known amounts of cash. Utilised bank overdraft facilities are included within current borrowings.

Trade and other receivables

Receivables are recognised initially at fair value. After initial recognition receivables are subsequently measured at amortised cost using the effective interest rate method. Interest income, together with gains and losses when receivables are derecognised or impaired, is recognised in the Statement of Comprehensive Income.

The Company assesses at each Balance Sheet date whether any indications exist that a receivable is impaired. A provision for impairment is made when there is objective evidence that the Company may not be able to collect all of the amounts due. Impaired trade receivables are derecognised when they are assessed as uncollectible.

Trade and other payables

Payables are recognised initially at fair value, net of transaction costs incurred. After initial recognition payables are subsequently measured at amortised cost using the effective interest rate method. Interest expenses (which don't meet the criteria for capitalisation), together with gains and losses when payables are derecognised or impaired, is recognised in the Statement of Comprehensive Income.

Class 3 (UK) Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

5 Revenue

Revenue by activity

Revenue is generated from the provision of services. Revenue recognised in the Statement of Comprehensive Income is analysed as follows:

	2016 \$000	2015 \$000
Vessel chartering	6,908	84,446

Vessel chartering

Revenue relates to the provision of owned vessels on charter to other entities within the wider Subsea 7 S.A. group.

Revenue by geographic destination

	2016 \$000	2015 \$000
United Kingdom	3,243	80,608
Mexico	-	1,351
France	2	-
Bermuda	-	1,092
Nigeria	-	745
Congo	-	650
Egypt	3,663	-
Total	6,908	84,446

Revenue by origin and destination are not materially different.

6 Net operating (loss)/income

Net operating (loss)/income is stated after charging:

	2016 \$000	2015 \$000
Depreciation of property, plant and equipment (Note 13)	20,544	44,827
Impairment of property, plant and equipment	-	36,402

7 Auditors' remuneration

During the year, fees payable to the Company's auditors for the audit of the Company's annual accounts was \$10,151 (2015: \$10,100). This amount was borne by another Subsea 7 S.A. group company.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the Annual Report and Consolidated Financial Statements of its ultimate parent, Subsea 7 S.A.

8 Employees

During the year ended 31 December 2016 and 31 December 2015, the Company did not have any employees.

Class 3 (UK) Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

9 Directors' remuneration

Aggregate remuneration paid to four (2015: four) Directors of the Company for services provided to multiple companies within the Group is shown below:

	2016 \$000	2015 \$000
Aggregate remuneration	1,276	1,073
Aggregate amount of gains made on share-based awards	48	-
Aggregate amounts (excluding shares) receivable under long-term incentive schemes	45	9
Company pension contributions to defined contribution schemes	93	76
Total	1,462	1,158

Retirement benefits are accruing to four Directors (2015: four Directors) under defined contribution schemes. No Directors (2015: no Directors) exercised options and three Directors (2015: no Directors), received shares under share schemes during the year.

Highest paid Director

The remuneration of the highest paid Director was \$482,000 (2015: \$569,000), including Company pension contributions to defined contribution schemes of \$31,000 (2015: \$32,000).

10 Finance income

	2016 \$000	2015 \$000
Interest income from Group undertakings	4,746	1,584

11 Other gains and losses

	2016 \$000	2015 \$000
Gains on disposal of property, plant and equipment	-	50
Net foreign currency exchange (losses)/gains	(3,035)	25
Total	(3,035)	75

Class 3 (UK) Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

12 Taxation

Tax charged in the Statement of Comprehensive Income is disclosed as follows:	2016 \$000	2015 \$000
Current tax:		
UK corporation tax	368	(12,946)
Foreign tax	16	57
Current tax	384	(12,889)
Amounts (over)/under provided in previous years	(3,048)	3,915
Total current tax:	(2,664)	(8,974)
Deferred tax:		
Origination and reversal of temporary differences	(13)	10,882
Total deferred tax:	(13)	10,882
Taxation (credit)/expense reported in the Statement of Comprehensive Income	(2,677)	1,908

The tax on the Company's (loss)/profit before taxation differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK as follows:

	2016 \$000	2015 \$000
Accounting (loss)/profit before taxation	(12,078)	3,533
(Loss)/profit on ordinary activities at the standard UK rate of 20.00% (2015: 20.25%)	(2,416)	715
Effects of:		
Expenses not deductible for tax purposes	608	-
Taxes on overseas income	16	58
Tax (over)/under provided in previous years	(3,048)	7,724
Change in tax laws and rates	1	(118)
Excess of NBV over TWDV of assets transferred in	(400)	-
Net cost/(benefit) of the tonnage tax regime	2,562	(6,471)
Taxation (credit)/expense reported in the Statement of Comprehensive Income	(2,677)	1,908

UK Tonnage tax regime

Class 3 (UK) Limited has elected to be taxed in accordance with the UK tonnage tax regime. As at 31 December 2016, the deferred tax Balance Sheet position in respect of Class 3 (UK) Limited operated vessels reflects estimated future utilisation in UK waters or other non-qualifying company activities. The Company no longer operates any vessels which qualify for benefits under this regime.

Change in corporation tax rate

The UK corporation tax rate reduced from 20% to 19% effective 1 April 2017 to be followed by a further reduction to 17% effective 1 April 2020. Deferred tax balances have been measured at 17% - 19% being the rates substantively enacted at 31 December 2016. The rate used is dependent on the expected timing of any reversals of timing/temporary differences. The standard rate of tax for the period, based on the UK standard rate of corporation tax is 20% (2015: 20.25%). The tax charge for the current year is different to the standard rate for the reasons set out in the reconciliation.

Class 3 (UK) Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

12 Taxation (continued)

Deferred tax

The deferred tax included in the Company Balance Sheet is as follows:	2016 \$000	2015 \$000
Deferred tax liability		
Accelerated capital allowances	566	579
Disclosed on the Balance Sheet		
Deferred tax liability	566	579
	2016 \$000	2015 \$000
Deferred tax in the Statement of Comprehensive Income		
Accelerated capital allowances	(13)	11,000
Change in tax laws and rates	-	(118)
Deferred tax (credit)/expense	(13)	10,882

13 Property, plant and equipment

	Vessels \$000	Other assets \$000	Total \$000
Cost			
At 1 January 2016	704,835	1,445	706,280
Additions	2,625	-	2,625
Disposals	(688,691)	(1,445)	(690,136)
At 31 December 2016	18,769	-	18,769
Accumulated depreciation			
At 1 January 2016	86,271	1,445	87,716
Charge for the year	20,544	-	20,544
Disposals	(104,516)	(1,445)	(105,961)
At 31 December 2016	2,299	-	2,299
Net book value at 31 December 2016	16,470	-	16,470
Net book value at 31 December 2015	618,564	-	618,564

Vessel disposal

On 24 June 2016, ownership of the Seven Borealis and its associated assets were transferred from Class 3 (UK) Limited to another Group undertaking, Subsea 7 Shipping Limited.

Class 3 (UK) Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

14 Trade and other receivables

	2016 \$000	2015 \$000
Amounts due from Group undertakings	742,323	135,687
Other taxes receivable	-	12,946
Net trade receivables	-	21
Total	742,323	148,654

The fair value of trade and other receivables approximate their carrying values due to the short period of time to maturity. Trade receivables are carried net of provisions.

Amounts due from Group undertakings includes amounts due from all companies forming part of the Subsea 7 S.A. group with the exception of joint ventures and associates. Amounts due from Group undertakings that are party to the centralised Working Capital Agreement are unsecured, earn interest at a rate of 1% per annum, have no fixed date of repayment and are repayable on demand.

Amounts due from Group undertakings whose balances are cash-settled are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 Issued share capital

The Company's allotted, called up and fully paid share capital is as follows:

	2016 \$
Allotted, called up and fully paid	
Ordinary shares of \$1 each	103
	2016 No.
Allotted, called up and fully paid	
Ordinary shares of \$1 each	
At 1 January 2016 and 31 December 2016	103

16 Financial instruments

The Company's financial instruments are classified as follows:

	2016 \$000	2015 \$000
Financial assets		
Cash and cash equivalents	3	1,241
Loans and receivables		
Net trade and other receivables	-	21
Current amounts due from Group undertakings	742,323	135,687
Financial liabilities		
Loans and payables		
Current amounts due to Group undertakings	6,558	6,973

Class 3 (UK) Limited

Notes to the Financial Statements (continued) for the year ended 31 December 2016

16 Financial instruments (continued)

Fair value measurement

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Where possible fair values are determined with reference to quoted prices however where unavailable fair values are determined using generally accepted pricing models. Assumptions used in determining fair value of financial assets and financial liabilities are as follows:

Trade and other receivables and payables

For current balances, the carrying values approximate fair values due to the short-term of maturity.

17 Trade and other liabilities

	2016 \$000	2015 \$000
Accruals	-	165
Amounts due to Group undertakings	6,558	6,973
Total	6,558	7,138

The fair value of trade and other liabilities approximate their carrying values due to the short period of time to maturity.

Amounts due to Group undertakings includes amounts due to all companies forming part of the Subsea 7 S.A. group with the exception of joint ventures and associates. Amounts due to Group undertakings that are party to the centralised Working Capital Agreement are unsecured, incur interest at a rate of 3.45% per annum, have no fixed date of repayment and are repayable on demand.

Amounts due to Group undertakings whose balances are cash-settled are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

18 Post Balance Sheet events

Due to the voluntary liquidation of Class 3 Shipping Limited, the ownership of the Company was assigned to Acergy (Gibraltar) Limited on 27 January 2017.

In May 2017, the Directors of the Company executed a resolution to reduce the Company's paid in surplus reserve by \$768.0 million. The reduction is credited to retained earnings. Following this, the Directors proposed and approved the payment of a \$740.0 million dividend, to the Company's immediate parent company, Acergy (Gibraltar) Limited.

19 Ultimate and immediate parent undertaking and controlling party

The immediate parent undertaking of the Company at 31 December 2016 was Class 3 Shipping Limited, a company registered in Bermuda.

The Company's ultimate parent undertaking and controlling party at 31 December 2016 is Subsea 7 S.A. The largest (and smallest) group which includes these Financial Statements in their consolidation is the Subsea 7 S.A. group. The Annual Report and Consolidated Financial Statements of Subsea 7 S.A. can be obtained from the address below or at www.subsea7.com.

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