AGR Subsea Limited

Report and Financial Statements

SC232751

31 December 2013

Directors
L D Nergaard
P Betteridge

Secretary
Pinsent Masons Secretarial Limited

Auditors
Ernst & Young LLP
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Strategic Report

The directors present their Strategic Report for the year ended 31 December 2013.

Business review

The principal activity of the company was seabed intervention activities in support of the global offshore energy industry.

During 2012 there was a strategic decision to restructure the entity and in October 2012 the business and assets were transferred to two new companies. Thus, during 2013 AGR Subsea Limited had no activity.

Principal risks and uncertainties

Going concern

From August 2013 the company is a wholly owned subsidiary of AGR EDS and T&T Holdings AS which has undertaken to ensure that adequate funds are made available to the company to meet the working capital requirements and outstanding liabilities of the company for at least 12 months after the date of the approval of these financial statements.

Petrobaltic

The directors have continued to pursue the contract dispute with LOTOS Petrobaltic with full force throughout the year.

A legal claim for voluntary arbitration has been filed with the Gdansk Courts, which was later supplemented with a full settlement claim.

The objective is to retain as a minimum the amount that LOTOS Petrobaltic offered in writing to the company in 2013, which is included within prepayments and accrued income.

Financial risk management

Financial risk was controlled by the company's ultimate parent, AGR Group ASA and by EDS Group AS from August 2013. The company investigates credit risk by ensuring that appropriate credit checks are performed and for significant projects, ensuring that either advance payment or letters of credit are obtained.

The company's immediate parent, AGR EDS and T&T Holdings AS, has undertaken to ensure that adequate funds are made available to the company to meet the working capital requirements and outstanding liabilities of the company for at least 12 months after the date of approval of the financial statements by the Board of Directors (note 1).

On behalf of the Board

Lasse Nergaard
Director
7/1/15

Directors' Report

The directors present their report and financial statements for the year ended 31 December 2013.

Results and dividends

The loss for the year after taxation amounted to (£538,000) (2012 loss – £1,236,000). The directors do not recommend a dividend (2012 – £nil).

Future Developments

The company is currently dormant without other activities than those related to recovery of the claim towards LOTOS Petrobaltic.

Events since the end of the year

No events of note have occurred since the end of the year.

Directors

The directors who served the company during the year were as follows:

J Sands	(resigned 22 February 2013)
J Warmedal	(resigned 22 February 2013)
P R Betteridge	(appointed 22 February 2013)
L D Nergaard	(appointed 15 February 2013)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board

Lasse Nergaard
Director
7/1/15

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

Independent auditors' report

to the members of AGR Subsea Limited

We have audited the financial statements of AGR Subsea Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet 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).

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 Report and Financial Statements 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 required 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 the 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 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report (continued)

to the members of AGR Subsea Limited

Matters on which we are required to report by exception

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

Kenneth MacLeod Hall (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Aberdeen
7 January 2015.

Profit and loss account

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover	2	-	2,420
Cost of sales		-	(2,445)
Gross profit/(loss)		-	(25)
Administrative expenses		(220)	(1,436)
Operating (loss)	3	(220)	(1,461)
Profit on disposal of tangible fixed assets		-	215
Interest receivable	6	50	80
Interest payable	7	(465)	(339)
(Loss) on ordinary activities before taxation		(635)	(1,505)
Tax	8	97	269
(Loss) for the financial year after taxation	14	(538)	(1,236)

During 2012, as noted in the Directors' Report, a decision was taken to separate and transfer the trade and assets of the company to two separate group companies, and to discontinue the activities of this company.

There are no recognised losses other than the loss of (£538,000) in the year ended 31 December 2013 (2012 – loss £1,236,000).

Balance sheet

at 31 December 2013

	Notes	*2013* *£000*	*2012* *£000*
Fixed assets			
Intangible fixed assets	9	-	86
		-	86
Current assets			
Debtors	10	3,568	4,677
Cash at bank and in hand		530	347
		4,098	5,024
Creditors: amounts falling due within one year	11	(730)	(1,483)
Net current assets		3,368	3,541
Total assets less current liabilities		3,368	3,627
Creditors: amounts falling due after more than one year	12	(6,354)	(6,075)
Net liabilities		(2,986)	(2,448)
Capital and reserves			
Called up share capital	13	1	1
Profit and loss account	14	(2,987)	(2,449)
Deficit on shareholders' funds	15	(2,986)	(2,448)

The financial statements were approved by the board of directors on 7th JANUARY 2015 and were signed on its behalf by:

Lasse Nergaard
Director

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

Going concern

From August 2013 the company is a wholly owned subsidiary of AGR EDS and T&T Holdings AS which has undertaken to ensure that adequate funds are made available to the company to meet the working capital requirements and outstanding liabilities of the company for at least 12 months after the date of the approval of these financial statements.

Statement of cash flows

The company is exempt from the requirement of FRS 1 'Statement of cash flows' to prepare a statement of cash flow as it is a wholly owned subsidiary undertaking of a company which publishes a group statement of cash flows (note 19).

Turnover and revenue recognition

Turnover is recognised only when it is probable that the economic benefits associated with a transaction will flow to the company and the amount of turnover can be measured reliably. Turnover from the provision of excavation services to customers is recognised as the services are rendered.

Intangible assets

Intangible assets are capitalised and amortised over their expected useful life of 10 years.

Impairment of intangible fixed assets

At each balance sheet date, the company reviews the carrying amounts of intangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided on taxable profits at current rates in the respective jurisdictions.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arose from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Operating leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pensions

The company contributes to a defined contribution pension scheme operated by the company. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

2. Turnover

An analysis of the company's turnover by destination is as follows:

	2013	*2012*
	£000	*£000*
Europe	-	2,416
Rest of World	-	4
		2,420

The company's turnover and loss before taxation are entirely derived from the company's principal activity. In the view of the directors, the company has only one class of business.

3. Operating (loss)

This is stated after charging/(crediting):

			2013	*2012*
			£000	*£000*
Auditors' remuneration – fees payable for audit services			5	5
Depreciation			-	316
Amortisation of patented technology (note 9)			86	25
Operating lease rentals	–	plant and equipment	-	447
	–	land and buildings	-	74
Foreign exchange loss			109	131

4. Directors' remuneration

	2013	*2012*
	£000	*£000*
Directors' remuneration	-	98
Pension contributions	-	14
	-	112

The number of directors who received remuneration from the company during the year was Nil (2012 – 1).

Notes to the financial statements

at 31 December 2013

5. Staff costs

	2013	*2012*
	£000	*£000*
Wages and salaries	-	329
Social security costs	-	41
Pension costs	-	25
	-	395

The average monthly number of employees (including directors) during the year was made up as follows:

	No.	*No.*
Sales and administration	-	8

6. Interest receivable

	2012	*2011*
	£000	*£000*
Bank deposits	50	80

7. Interest payable

	2013	*2012*
	£000	*£000*
Long-term group loans (note 12)	278	136
Bank overdrafts and loans	187	203
	465	339

Notes to the financial statements

at 31 December 2013

8. Tax

(a) Tax on (loss) on ordinary activities

The tax credit is made up as follows:

	2013	*2012*
	£000	*£000*
Current tax:		
UK corporation tax/group relief on the (loss) for the year	(97)	(264)
Total current tax (note 8(b))	(97)	(264)
Deferred tax:		
Origination and reversal of timing differences	-	8
Total deferred tax	-	8
Tax credit on loss on ordinary activities	(97)	(256)

(b) Factors affecting tax credit for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23% (2012 – 24%). The differences are explained below:

	2013	*2012*
	£000	*£000*
Loss on ordinary activities before tax	(635)	(1,505)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2012 – 24%)	(146)	(361)
Effects of:		
Expenses not deductible	3	-
Timing differences	(1)	(65)
Losses carried forward	47	162
Current tax for the year (note 8(a))	(97)	(264)

(c) Factors that may affect future charges

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Following the 2013 budget announcement by the UK government, there will be further reductions to the standard rate of corporation tax in the UK over the following 2 years, reducing the rate to 20% from 1 April 2015.

Notes to the financial statements
at 31 December 2013

9. Intangible fixed assets

	Patented technology £000
Cost:	
At 1 January and 31 December 2013	246
Amortisation:	
At 1 January 2013	160
Charge for the year	86
At 31 December 2013	246
Net book value:	
At 31 December 2013	-
At 1 January 2013	86

10. Debtors

	2013 £000	2012 £000
Amounts owed by former group undertakings	365	1,273
Prepayments and accrued income	3,200	3,203
Other debtors	-	201
Other taxes	3	-
	3,568	4,677

Amounts owed by former group undertakings are unsecured, interest free and repayable on demand.

11. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	18	72
Amounts owed to group undertakings	14	230
Corporation tax	693	693
Other taxation and social security	-	428
Accruals and deferred income	5	60
	730	1,483

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Notes to the financial statements

at 31 December 2013

12. Creditors: amounts falling due after more than one year

	2013	2012
	£000	£000
Amounts owed to group undertakings	6,354	6,075

The amounts owed to group undertakings falling due after more than one year relates to an intercompany loan from AGR Group Holdings AS which as part of the change in ultimate parent transferred to AGR EDS and T&T Holdings AS. The original terms of the loan agreement were for it to mature in June 2013, but this was extended in February 2013 to February 2016. The interest rate remained at 4.00% over LIBOR with effect from February 2013.

13. Issued share capital

		2013		2012
Allotted, called up and fully paid	*No.*	*£000*	*No.*	*£000*
Ordinary shares of £1 each	1,000	1	1,000	1

14. Movement on reserves

	Profit and loss account
	£000
At 1 January 2013	(2,449)
Loss for the year	(538)
At 31 December 2013	(2,987)

There were no dividends paid during the year in respect of current or prior year (2012 – £nil).

15. Reconciliation of deficit of shareholders' funds

	2013	2012
	£000	£000
Loss for the year	(538)	(1,236)
Net movement in shareholders' funds	(538)	(1,236)
Opening shareholders' funds	(2,448)	(1,212)
Closing shareholders' funds	(2,986)	(2,448)

Notes to the financial statements

at 31 December 2013

16. Contingent liability

The company has filed a full claim in the Gdansk Courts towards LOTOS Petrobaltic (the counter party) in relation to the ongoing contract dispute from 2012.

The counterparty has in turn filed its arguments for why the contract was terminated in April, 2012, and in doing so is claiming damages from the company.

On 27 November 2014 the company filed an extensive answer to allegations from the counterparty with the Gdansk Courts. The dates of the next hearings in relation in relation to the company's and counterparty's claims have not been set.

AGR Subsea maintain that the information usually required by FRS 12 Provisions, Contingent Liabilities and Contingent Assets is not disclosed on the grounds that it may seriously prejudice the outcome of a settlement. The directors are of the opinion that the claim can be successfully negotiated by the company. This is based, amongst other incidents, on the fact that LOTOS Petrobaltic in March, 2013 in writing offered to settle with AGR Subsea.

17. Related party transactions

The company has taken advantage of the exemption available in FRS 8 'Related Party Disclosures' not to disclose any transactions with entities that are part of the group which qualify as related parties, on the grounds that it is a subsidiary which is wholly owned and controlled within the group, and the group financial statements of EDS Group AS, its ultimate parent undertaking, are publicly available (note 19).

18. Events since the end of the year

No events of note have occurred since the end of the year.

19. Ultimate parent undertaking and controlling party

The company is a subsidiary of EDS and T&T Holdings AS, incorporated in Norway. The ultimate parent undertaking and controlling party is EDS Group AS, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.