

AGR SET Limited

Report and Financial Statements

SC416601

31 December 2012

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COMPANIES HOUSE

Directors

P R Betteridge
L D Nergaard

Secretary

MacLay Murray & Spens LLP
66 Queens Road
Aberdeen, AB15 4YE

Auditors

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

Bankers

DnB NOR Bank ASA
20 St Dunstan's Hill
London, EC3R 8HY

Solicitors

Edinburgh Corporate
23 Croft Wynd
Milnathort, Kinross, KY13 9GH

Registered Office

Union Plaza
1 Union Wynd
Aberdeen, AB10 1SL

Registered No. SC416601

Directors' report

The directors present their first report and financial statements for the period from incorporation on 9 February 2012 to 31 December 2012.

On 25 April 2012, the company changed its name from MM&S (5697) Limited to AGR SET Limited.

Results and dividends

The loss for the period after taxation amounted to £20,000. The directors do not recommend a final dividend.

Principal activity and review of the business

The principal activity of the company is seabed intervention activities in support of the global offshore energy industry. The company's range of equipment acquired from a fellow group company AGR Subsea Limited in October 2012, is used in installation, maintenance and decommissioning phases of the offshore field lifecycle. AGR SET holds and maintains the equipment that AGR Seabed Intervention Limited will use in servicing the industry.

Events since the end of the year

During 2013, the Oslo Stock Exchange listed AGR Group ASA's operations were split into two - Petroleum Services and Enhanced Drilling Solutions (EDS). AGR Seabed Intervention Limited and its sister company AGR SET Limited were part of the newly formed EDS group headed up by EDS Group AS and were de-merged from AGR Group ASA in August 2013. EDS Group AS, which is not listed on the Oslo Stock Exchange, is now independently structured, both financially and operationally, and this de-merger strategy should better enable future growth aspirations to be attained.

Strategy

The stated aim of the parent company, EDS Group AS, is to remain ahead of the competition by continuously developing new products and systems and exploiting existing equipment in new and more efficient ways. To this end AGR SET and its sister company, AGR Seabed Intervention formed a strategic alliance with Marin Subsea in July 2013. This alliance brings an increased capability and product offering enabling larger scopes of work to be handled. Additionally it allows local access to international regions thru existing infrastructure and equipment being held in key regions and areas of activity. Due to the very cyclic nature of our business, the alliance with Marin includes exploratory discussions for Marin to acquire AGR Seabed Intervention and AGR SET Limited.

Future developments

Offshore activity levels in oil & gas installation and decommissioning remain high. However there are limited opportunities for AGR Seabed Intervention and AGR SET Limited to secure this business without the support of our alliance partner. Currently the directors of AGR SET regard the market conditions to be favourable now it is aligned with Marin Subsea. A number of projects that are likely to utilise AGR/Marin technologies are anticipated to be awarded and commence in the coming years. The ground work is currently being undertaken to develop the alliance position with the respective clients.

Principal risks and uncertainties

Principal risks relate to oil price and demand uncertainty. The company is actively reviewing mitigation strategies including further into the expanding offshore renewable market.

Directors' report (continued)

Financial risk management

Financial risk was controlled by the company's ultimate parent, AGR Group ASA (note 16) 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.

Projects are contracted in advance of work commencing and contain predefined rates for the services to be provided; as such the directors do not believe that the company is subject to any significant price risk.

The company's ultimate parent, EDS Group 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).

Directors

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

J Sands	(appointed 23 April 2012, resigned 22 February 2013)
J M Warmedal	(appointed 23 April 2012, resigned 22 February 2013)
L D Nergaard	(appointed 15 February 2013)
P R Betteridge	(appointed 22 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



Paul Betteridge
Director

5th December 2013

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 SET Limited

We have audited the financial statements of AGR SET Limited for the period ended 31 December 2012 which comprise as the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. 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 4, 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 directors' report to identify material inconsistencies with the audited financial statements. 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 2012 and of its loss for the period 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 Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

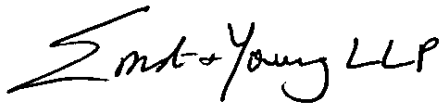
Independent auditors' report (continued)

to the members of AGR SET 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.



Kenneth MacLeod Hall (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Aberdeen
5, December 2013

Profit and loss account

for the period ended 31 December 2012

	<i>Notes</i>	<i>2012 £000</i>
Turnover		71
Administrative expenses		<u>(83)</u>
Operating loss	2	(12)
Interest payable	5	<u>(8)</u>
Loss on ordinary activities before taxation		(20)
Tax	6	-
Loss for the financial period	12	<u>(20)</u>

All amounts relate to continuing activities

There are no recognised losses other than the loss attributable to the shareholders of the company of £20,000 in the period ended 31 December 2012.

Balance sheet

at 31 December 2012

	Notes	2012 £000
Fixed assets		
Intangible fixed assets	7	23
Tangible assets	8	<u>2,142</u>
		<u>2,165</u>
Current assets		
Debtors	9	518
Cash at bank and in hand		<u>98</u>
		616
Creditors: amounts falling due within one year	10	<u>(2,801)</u>
Net current liabilities	11	<u>(2,185)</u>
Net liabilities		<u>(20)</u>
Capital and reserves		
Called up share capital	12	-
Profit and loss account	13	<u>(20)</u>
Deficit on shareholders' funds	13	<u>(20)</u>

The financial statements were approved by the board of directors on ~~5th~~ December 2013 and were signed on its behalf by:



P R Betteridge
Director

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

The 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 EDS Group 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.

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.

Statement of cash flows

The company is exempt from the requirement of FRS 1 'Statement of cash flows' to prepare a statement of cash flows as it is a wholly owned subsidiary undertaking of a company which publishes a group statement of cash flows (note 16).

Tangible fixed assets

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation, where cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives:

Plant and machinery	-	5 years
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Intangible assets

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

Impairment of tangible and intangible fixed assets

At each balance sheet date, the company reviews the carrying amounts of tangible and 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.

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Taxation (continued)

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.

2. Operating loss

This is stated after charging/(crediting):

	<i>2012</i>
	<i>£000</i>
Auditors' remuneration	<u>4</u>
Depreciation of owned fixed assets	<u>71</u>

3. Directors' remuneration

The directors did not receive any remuneration from the company during the year. The directors receive remuneration through other group companies.

4. Staff costs

In 2012 the company did not directly employ any staff and there are no amounts charged to the profit and loss account in respect of the employee costs.

5. Interest payable

	<i>2012</i>
	<i>£</i>
Interest payable to group undertakings	<u>8</u>

Notes to the financial statements

at 31 December 2012

6. Tax

(a) Tax on loss on ordinary activities

The tax credit is made up as follows:

	2012 £000
Current tax:	
UK corporation tax on the loss for the period	-
Total current tax (note 6(b))	<u>-</u>

(b) Factors affecting tax credit for the period

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 24%. The differences are explained below:

	2012 £000
Loss on ordinary activities before tax	<u>(20)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24%	(5)
Effects of:	
Depreciation in advance of capital allowances	1
Losses available for carry forward	4
Current tax for the period (note 6(a))	<u>-</u>

(c) Factors that may affect future charges

The standard rate of corporation tax in the UK changes 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 2012

7. Intangible fixed assets

	<i>Patented technology £000</i>
Cost:	
On incorporation	-
Additions	23
At 31 December 2012	<u>23</u>
Amortisation:	
Charge for the period	-
At 31 December 2012	<u>-</u>
Net book value:	
At 31 December 2012	<u>23</u>

8. Tangible fixed assets

	<i>Plant and machinery £000</i>
Cost:	
On incorporation	-
Additions	2,213
At 31 December 2012	<u>2,213</u>
Depreciation:	
Provided during the year	71
At 31 December 2012	<u>71</u>
Net book value:	
At 31 December 2012	<u>2,142</u>

Notes to the financial statements

at 31 December 2012

9. Debtors

	2012 £000
Amounts owed by group undertakings	71
Other taxes	448
	<u>519</u>

10. Creditors: amounts falling due within one year

	2012 £000
Amounts owed to group undertakings	2,792
Accruals	9
	<u>2,801</u>

11. Issued share capital

	No.	2012 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>

On incorporation two ordinary shares were issued at par value.

12. Movements on reserves

	<i>Profit and loss account</i> £000
At incorporation	-
Loss for the period	(20)
At 31 December 2012	<u>(20)</u>

13. Contingent liability

The company's treasury function was controlled by its ultimate parent undertaking AGR Group ASA. In 2009, the group entered into a Multicurrency Group Account System agreement with DnB Nor Bank ASA to manage its cash pool deposits worldwide. In entering this agreement, the participating companies granted DnB Nor Bank ASA cross guarantees making any participating company jointly liable for any debt outstanding under the agreement. These arrangements ceased when the EDS Group AS was demerged from AGR Group ASA in 2013.

Notes to the financial statements

at 31 December 2012

14. Events since the end of the year

During 2013, the Oslo Stock Exchange listed AGR Group ASA's operations were split into two - Petroleum Services and Enhanced Drilling Solutions (EDS). AGR Seabed Intervention Limited and its sister company AGR SET Limited were part of the newly formed EDS group headed up by EDS Group AS and were de-merged from AGR Group ASA in August 2013. EDS Group AS, which is not listed on the Oslo Stock Exchange, is now independently structured, both financially and operationally, and this de-merger strategy should better enable future growth aspirations to be attained.

15. 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 AGR Group ASA, its ultimate parent undertaking, are publicly available (note 16).

16. Ultimate parent undertaking and controlling party

Until August 2013 the company was a subsidiary of AGR Holdings AS which was its immediate parent undertaking. The ultimate parent undertaking and controlling part was AGR Group ASA, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the group financial statements of AGR Group ASA may be obtained from AGR Group ASA, Lonagevan, 5342 Straume, Norway.