ANNUAL REPORT 2013

Reach Subsea is your new provider of IMR, ROV, Survey, Construction Support and Decommissioning Services.

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OUR BUSINESS

Reach Subsea made great progress in 2013 building up a fully integrated offshore service company.

Reach Subsea ASA raised new equity and elected a new Board of Directors at the end of 2012. 2013 started with Reach Subsea ASA committing to a 5 years charter, with extension options, of a new Construction Support Vessel from Solstad Offshore. The new build vessel *Normand Reach*, which is scheduled for delivery in June 2014, will be our Flagship with state of the art facilities and our own ROV`s and highly qualified people on board.

Reach Subsea made great progress in 2013 building up a fully integrated offshore service company with new offshore assets, new experienced people joining the company and by creating business towards new clients. In July the company took delivery of its first ROV systems and chartered the first ROV Support vessel, Bourbon Emerald. Reach Subsea now employs 29 people, up from nine a year ago.

Reach Subsea started its first offshore operations in August with clients like Voith Hydro, Wintershall and Lundin. All contracts were performed according to schedule and as agreed with end client. Our offshore teams together with the vessels marine crew and our organisation onshore performed excellent with no downtime. This was duly noted and appreciated by our clients.

In May the company strengthened its balance sheet through a successful equity offering in the market, giving net proceeds in excess of NOK 100 million.

In October, we made a break through with the signing of a 2-year firm contract plus two yearly options for *Normand Reach* with DOF Subsea AS. This contract includes two ROV systems to be manned with our personnel. For Reach Subsea, the contract represents an important strategic step towards building an integrated offshore service company.

In accordance with our plans, the company has increased its ROV fleet with two ROV Supporter systems in 2014. Further, in corporation with our partner MMT in Sweden, the company ordered one new Survey ROV system, the Surveyor, for delivery in July 2014.

At the end of the year, our business develops further with the award of a contract from Statoil/Emas on the Troll field where we will utilize *Stril Explorer* and by the award of a contract in the German Bight with MMT utilizing Vos Statisfation and our ROV.

Reach Subsea entered into an agreement with the Myklebusthaug Group for operation of *Dina Star* as our new ROV support vessel. During 2014 Reach Subsea will operate 2 ROV vessels with associated equipment and personnel, and a third survey vessel in cooperation with our survey partner MMT.

By year-end 2013 the business development efforts are providing the intended results, as Reach Subsea has established good relationships with both major subsea contractors and directly with Operators. The amount of client requests and tender invitations keeps increasing, proving that Reach Subsea is now recognized as a subsea service provider.

Kåre Johannes Lie

CEO, Reach Subsea ASA

ADVANCE
PERFORM
ACHIEVE

Our vision is to be the preferred operator by those who need the best possible subsea partner, one that will always perform above expectations.

To find out more about what we can offer, request information about our assets and operations or arrange a meeting, please don't hesitate to get in touch.

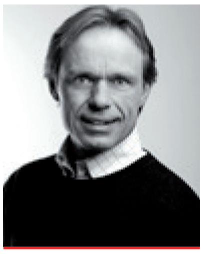
Haraldsgata 190
5527 Haugesund
+47 40 00 77 10
post@reachsubsea.no

MEET THE TEAM

We're a management team with extensive experience in the subsea industry and when you add it all up, you get a whopping 135 years, which in this instance, is a good thing.

Kåre Johannes Lie
Managing Director

30+ years in subsea



Jostein Alendal
Business Dev. Manager

20+ years in subsea

Sven M. Storesund
Technical Manager

20+ years in subsea

Inge Grutle
Engineering Manager

6+ years in subsea

Åge J. Nilsen Jr.
Finance Manager

14+ years experience

Bjørg Døving
HR & Quality Manager

10+ years in subsea

Birgitte Johansen
Chief Financial Officer

15+ years experience

Morten R. Stranden
Chief Operation Officer

20+ years in subsea

SUBSEA SERVICES

Business characteristics

• Asset intensive	• Less asset intensive	• Asset intensive
• Dayrate revenue model	• Dayrate + spread revenue model	• Lump-sum turn-key risk
• Demand growth	• High demand within capex and opex	• Principally capex driven, more volatile
• Limited differentiation	• High barriers to entry for expertise	• Highly differentiated, engineering
• Low barriers to entry/ fragmented	• Engineering/technology driven	• High barriers to entry, expertise and capital

Traditional players

• Several publicly traded companies and regional competitors	• Reach Subsea	• Oceaneering	• Saipem	• Emas
	• Fugro	• DOF Subsea	• Subsea 7	• Ocean Installer
	• Deep Ocean	• Reef Subsea	• Technip	• McDermott
			• Helix	

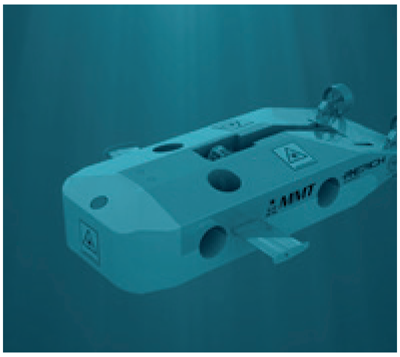
BUSINESS SEGMENTS

Construction and installation

- Single EPIC contracts rather than frame contracts.
- Complex projects with higher risk and better margins.
- Growing market with few players, high entry barrier.
- Existing players in capacity squeeze open possibilities for subcontracting entire vessel spreads and/or engineering packages.

Inspection, maintenance and repair

- Inspection of subsea infrastructure.
- Maintenance and repair of subsea assets.
- Module handling.
- Light construction.
- Well stimulation (scale squeeze).
- Often long term frame contracts.



Survey and pipeline inspection

- 3D seabed mapping.
- Pipeline inspection.
- "In house" developed Surveyor ROV.
- Partnership with MMT.
- Key elements: Data Processing and Accuracy.

Decommissioning

- This is a growing immature market.
- Project contracts.
- Similar assets and competence requirement as construction.
- Complementary market segment to IMR and I&C, as demand for services is likely to increase with declining activity in IMR and I&C.

DIRECTORS REPORT

Business Concept

The Group's business concept is to offer subsea services as subcontractor and/or directly to the operators, based out of our head office in Haugesund. The core business of the Group is based on first class Work ROVs operated by highly qualified offshore personnel, and supported by our competent onshore engineering resources.

The Group's objective is to become a preferred subsea partner and full service provider of subsea operations for clients, among others by having focus on safety, environment, financial solidity and profitability.

The Group is undergoing steady growth based on the Business Plan. Moderate risk contracts will be targeted, thus securing revenue and profitability in parallel with increasing the fleet, asset base and staff size. The Group increased the asset base to four WROV's during 2013.

62.3
MILLION
- NOK -

TOTAL TURNOVER
2013

211.2
MILLION
- NOK -

TOTAL BALANCE SHEET
31.12.2013

-15.7
MILLION
- NOK -

ANNUAL RESULT
2013

8.1
MILLION
- NOK -

NET CASH FLOW FOR
THE YEAR 2013

The Group's main activities in 2013 were performed in The North Sea. During the first half-year, the main focus was to establish the organization, develop procedures and routines as well as hiring personnel to prepare for offshore operations. The Group's first offshore operations started in July 2013 with the vessel *Bourbon Emerald* on a contract with a client located on the Orkney Islands. The vessel was outfitted with one WROV and 4-8 offshore subsea personnel from Reach Subsea. *Bourbon Emerald* continued offshore operations until November 2013, whereupon the vessel was demobilized and the charter terminated.

The Reach Share

The Group is listed on Oslo Stock Exchange. The total number of issued shares was at year end 75.918.183 with mainly Norwegian investors. The Reach share developed during the year from 4.45 at 31.12.12 to 3.35 at 31.12.2013. No dividend was paid based on the financial year 2012.

The Board of Directors intend to propose that no dividends will be paid for the financial year 2013, according to prognosis.

The Group conducted a private placement in 2013, raising NOK 101.5 million and increasing the shareholder base. This also increased the volume of traded shares. Accello Partners I AS remains the largest shareholder while management and employees as a group constitute the second largest shareholder.

The Group consists of two companies; Reach Subsea ASA and the fully owned subsidiary Reach Subsea AS - The main activity is conducted in Reach Subsea AS.

Reach Subsea makes every effort to ensure that accurate, relevant and timely information is disclosed about the Group's performance and results in order to maintain confidence in the capital market. Market information is primarily given on a quarterly basis through financial statements. In addition, presentations are made to partners, lenders and investors.

It is in Reach's own interest to publish current, financial analysis of the highest possible quality. All analysts are treated equally at all times regardless of their recommendations and views on the Reach share. An overview of analysts covering the share can be found at reachsubsea.com/investors/shareinfo

Corporate Governance

The Group has a Corporate Governance Policy based on strategic goals and expectations from the stock exchange as well as the capital markets. Reach adheres to the Norwegian Code of Practice for Corporate Governance and presents a separate chapter elaborating the Corporate Governance report in the Annual Report.

Health, Safety, Environment and Quality

In 2013, Reach Subsea continued the process of implementing our business management system in compliance with recognized industry standards for HSE and Quality Management.

The Group was subject to HSEQ audits in 2013, and was prequalified and accepted for delivery of subsea services to several clients and partners. A major target for 2014 will be ISO certification, a natural step forward in the process of demonstrating our strong commitment to HSEQ.

The Group is committed to achieving the highest standards of safety and accident prevention, through systematic risk assessment and continuous improvement processes.

We believe that the true value of safe performance comes from a good HSE culture, based on mutual respect, exchange of experience and an open dialogue between visible management and dedicated employees.

HSEQ results from 2013 has been good with no accidents, personnel injuries or damage to the environment. Sickness absence has been 3.43 %.

Reach Subsea is committed to encourage and support a good working environment both onshore and offshore, and we offer equal employment opportunities with no form of discrimination regarding gender, nationality, disability, religion or other factors. Total number of employees increased from 9 by end year 2012 to 29 by end year 2013. The portion of female employees is 7 %.

Reach Subsea is proactive in relation to climate challenges. The Group aims to reduce consumption of electricity, paper and other resources, as well as ensure that resource-demanding travel is limited. We manage technological waste and purchase environmentally friendly technological equipment with low energy consumption. Reach Subsea aims to choose vessels that are fuel efficient to reduce environmental impact. *Dina Star* is an example of a vessel that is designed to consume less fuel than other MPSVs. ROV operations are not considered to have a substantial impact on the environment beyond pollution from the vessels the ROVs are operated from.

Corporate, Social Responsibility

Reach Subsea has identified four key areas within CSR that will have special attention when the Group in 2014 will establish a CSR-policy:

Human Resources: Establish an organisation with high ethical standards and values set into practice and defined via the Code of conduct, Personnel handbook and internal and external training as well as team building activities.

Environment: Maintain focus on HSEQ, extended use of video-conferencing, develop evaluation criteria for suppliers such as ship owners and transportation.

Society: Aim to be an attractive and professional employer by following Norwegian legislation and stay updated on rules concerning offshore and onshore employees in an international environment, contribute to anti-corruption and fraud –prevention by having good routines for electing suppliers and agents. Further, Reach Subsea believes in competence sharing and contributes to projects in the region such as Polytec, Simsea and Høgskolen Stord Haugesund and innovation of subsea assets such as the Surveyor.

Financial: Live up to the established Corporate Governance policy, reduce risk and secure the Groups financial strength.

The Annual Results

The Annual Accounts for 2013 have been prepared in accordance with IFRS (International Financial Reporting Standards) as approved by the European Union with comparative figures for 2012.

The Annual Report is prepared under a going concern assumption based on budgets, contract coverage and the Groups strategy.

DINA STAR

MULTI FUNCTION OFFSHORE SUPPORT AND PLATFORM SUPPLY VESSEL

DIRECTORS REPORT

Operating Income in 2013 was NOK 62.3 million compared to NOK 3.6 million in 2012. The activity level increased substantially, from pure consultancy services before December 2012, through the development phase first half 2013 to offshore operations as from July 2013 and the following four months. The cash flow in 2013 is influenced by the private placement of NOK 101 million that was successfully completed in May/June. Further, leasing debt and a bank loan was obtained to finance the four Work ROVs delivered in second half 2013.

The operating expense is influenced by the growth in the Group, which was according to budgets. Project related expense from offshore operations with *Bourbon Emerald* have a substantial impact on the cost level compared to 2012, when the Group had less employees with a mainly salary-related operating expense. Change in Debtors of minus NOK 15.7 mill impacts the cash flow from operations and is related to payments from clients expected to be settled after year end.

The operating loss for the Group was NOK 15.7 million compared to NOK 5.5 million in 2012.

Looking at the four quarterly results, the third quarter, being the only quarter with close to full offshore operations, was the quarter with a positive net profit.

In April 2013 Reach entered into a Letter of Intent to establish a joint venture with Marin Mätteknik (MMT). This collaboration was formalised after year-end and has not had any impact on the figures. MMT has, however, served as a sub-supplier to Reach Subsea in the period.

Financial Risk

The Group is exposed to operational financial risk by the nature of the business. Freight rates, currency exchange rates and interest rates may impact the value of the Group's assets, liabilities and future cash flows. To reduce and manage these risk factors management regularly reviews and reassesses the main market risks. Whenever a major risk factor is identified, action to reduce the specific threat is considered. The Group is exposed to both interest rate risk and exchange rate risk through financing and contracts with clients. The management is continuously considering hedging and other risk reducing methods as well as aiming to have expenses and income in the same currency.

Events after year end

In January Reach entered into an agreement with EMAS AMC for one month's offshore work on the Troll A field in the North Sea with Reach Subsea's ROV and personnel on board *Stril Explorer*. Further, Reach entered into an agreement with strategic partner MMT for ROV services on board VOS Satisfaction in German Bight waters with duration of ca. 2 months.

27th January Reach signed an agreement with ship owner Myklebusthaug for the MPSV *Dina Star*. The agreement has a risk/reward share and lasts for one year + options. The vessel will be utilized for two signed agreements. The first contract started in March 2014 and the second contract is scheduled for start-up in June 2014.

In April Reach Subsea signed an agreement with MMT for cooperation on offshore survey and ROV-services.

Further details can be found via the www.newsweb.no-service or at www.reachsubsea.no

Outlook and expectations for 2014

Reach will in 2014 be active in the subsea market with 2-3 vessels. As reported in January 2014 the Group has chartered *Dina Star* based on a cooperation agreement with Norwegian ship owner Myklebusthaug. The vessel has already proven its market potential as over 130 days firm work was secured as soon as the installation of the 150T crane and WROV system was completed.

Dina Star started her first offshore operations in March for an international charterer with two WROV-systems and 15 offshore personnel on board as well as survey equipment and survey personnel provided by an experienced subcontractor. From early June *Dina Star* will move to the High North areas to work for an international charterer for 4-6 months.

Normand Reach is scheduled to be delivered on time from Aukra Yard early June. The vessel will start directly on the reported 2-year contract (+2 years options) with DOF Subsea with two complete WROV systems and Reach Subsea's offshore personnel.

Reach Subsea has formalised the joint venture with Marin Mätteknik and will in 2014 supply MMT's chartered vessel *Stril Explorer* with a WROV and offshore personnel.

The development and construction of Surveyor, a new, innovative survey ROV, continues with expected delivery and testing during the summer season.

DIRECTORS REPORT

Projects and operations have a good sequence and start up schedule, which should result in a high utilisation of the ROV equipment and personnel in 2014. With over 70% of capacity already secured in firm work, there is still potential for projects.

Parent Company Economy

Reach Subsea ASA serves as a holding company for the Group. The Board proposed the following distribution: Transferred from retained earnings: NOK (15.7) million.

On the Board of Reach Subsea ASA - Haugesund 28th April 2014

Rune Lande Chairman of the Board	Anders Onarheim Board member	Sverre B. Mikkelsen Board member
Merete Haugli Board member	Martha Kold Bakkevig Board member	Kåre Johannes Lie Managing Director

Statement by the Board of Directors and Managing Director

We hereby confirm that, to the best understanding, the Annual Accounts for the period 1st January to 31st December 2013 have been prepared in compliance with applicable accounting standards; and that the information in the accounts offers a true and fair view of the Group's and the parent company's assets, liabilities, financial standing and overall performance. We further confirm that the Annual Report provides a true and fair view of the development, earnings and standing of the Group and the parent company; and sets out most important risk factors and uncertainties facing the Group.

On the Board of Reach Subsea ASA - Haugesund 28th April 2014

Rune Lande Chairman of the Board	Anders Onarheim Board member	Sverre B. Mikkelsen Board member
Merete Haugli Board member	Martha Kold Bakkevig Board member	Kåre Johannes Lie Managing Director

The board of directors

Rune Lande
Chairman of the Board

Rune Lande has a law degree from the University of Bergen and is also a State Authorized Auditor from Norges Handelshøyskole in Bergen. He is a partner in the law firm Eikesdal based in Haugesund and is also on the board of directors for several companies. Prior to this he worked at Arthur Andersen for 7 years. Rune Lande is independent of the company's main shareholders.

Anders Onarheim
Board member

Anders Onarheim holds an MBA from Washington University of St. Louis. He has broad experience from Capital Markets, both in Norway and internationally.

Sverre B. Mikkelsen
Board member

Mr. Mikkelsen has a bachelor degree in Business Administration. He has more than 30 year experience in the upstream business. He has, among others, held positions as an ROV and Survey Operation Manager, Finance and Administration Director and Managing Director for Stolt Comex Seaway. These were followed by the position as Managing Director for Subsea Offshore. He is currently working as consultant for a major oil company.

Martha Kold Bakkevig
Board member

Martha Kold Bakkevig holds a PhD (dr. scient.) from the Norwegian School of Science and Technology and a PhD (dr. oecon.) from The Norwegian Business School BI. Bakkevig has broad experience in management, strategy and business development. Her board experience is wide-ranging and she has held Board positions in over 15 different offshore and knowledge based firms from 2000 till today.

Merete Haugli
Board member

Merete Haugli has experience as a board member from a number of companies, most recently Comrod Communication ASA, Reach Subsea ASA and RS Platou ASA as well as being a member of the board for Agasti Holding ASA from 11th May 2010. She has held several senior positions, including SEB, Formuesforvaltning AS, First Securities ASA and ABG Sundal Collier ASA. She was previously section chief in the Oslo Police, responsible for the economic crime section. She has education from Bankakademiet and Norwegian School of Management (BI).

CORPORATE GOVERNANCE AND MANAGEMENT

Corporate Governance (CG) in Reach Subsea ASA shall increase trust towards the company and contribute to optimal value creation over time. The objective of corporate governance is to regulate the division of roles between shareholders, the Board and executive management more comprehensively than is required by legislation.

Implementation and reporting on corporate governance

Implementation and regulations

Reach Subsea ASA's ("Reach Subsea" or "the company") Board of Directors (the "Board") has the ultimate responsibility for ensuring that the company practices good corporate governance and has thus prepared and approved the company's policy for corporate governance. The company, through its Board and executive management, carries out an annual review of its principles for corporate governance.

Reach Subsea is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs). The Norwegian Accounting Act includes provisions on corporate governance at Section 3-3b which impose a duty on the company to issue an annual statement on its principles and practice for corporate governance. These provisions also stipulate minimum requirements for the content of this report.

The Norwegian Corporate Governance Board (NCGB) has issued the Norwegian Code of Practice for Corporate Governance (the "Code"). Adherence to the Code is based on the "comply or explain" principle, which means that a company must comply with the recommendations of the Code or explain why it has chosen an alternative approach to specific recommendations. The Code was last revised 23rd October 2012 (with rectification 21st December 2012).

The Oslo Stock Exchange's Continuous Obligations for listed companies pt. 7 requires publicly listed companies to publish an annual statement of their policy on corporate governance in accordance with the Code in force at the time. The Continuing Obligations of listed companies are available on www.oslobors.no

Reach Subsea complies with the Norwegian Accounting Act § 3-3b and the Code, unless otherwise specifically stated. The company provides a statement on its principles for corporate governance in its annual report, and this information is further available on the company website, www.reachsubsea.no

Values, objectives and strategies

Confidence in Reach Subsea as a company and in its business activities as a whole is essential for the company's continuing competitiveness. The company aims to maintain high ethical standards in its business concept and relations with customers, suppliers and employees. The company has not yet fully established their own guidelines for Corporate Social Responsibility as recommended in the Code.

Business activity

The company's business objective is, as set out in its articles of association § 1, to provide engineering, construction and related services to the offshore energy industry, shipping and other transport operations through ownership and / or operation, participation in such activity by other companies, and related activities

The board establishes the Group's overall goals and strategy.

The main goal and strategy for the company is to become a full service provider within the subsea sector.

ADVANCE
PERFORM
ACHIEVE

Equity and dividend

Equity

The Board aims to maintain a satisfactory equity ratio in the company in light of the company's goals, strategy and risk profile, thereby ensuring that there is an appropriate balance between equity and other sources of financing. The Board regularly assesses the company's capital requirements.

Dividend

The company's objective is to generate a return for its shareholders through dividends and increases in the share price that is at least in line with the return available on similar investment opportunities of comparable risk. Due to the young history of the company and the growth plans, Reach Subsea does not intend to pay dividend to shareholders in the short term.

Authorizations to the Board

The Board will in the outset not propose that authorizations to increase the share capital and to buy own shares are granted for periods longer than until the next Annual General Meeting of the company. The Board will only propose authorizations with specific purposes and each proposed purposes will be treated as a matter for the Annual General Meeting.

As per 31 December 2013, the Board had authorization to increase the share capital with NOK 3.191.404. The authorization was limited to defined purposes and expires 30th June 2014.

The Board does not hold any rights to purchase own shares.

Equal treatment of shareholders and transactions with related parties

The company has one class of shares with equal rights.

At capital increases where existing shareholders' preferential rights are waived, this shall be justified. By waiver of rights based on authorizations, the reason for the waiver shall be stated in the press release/announcement in connection with the capital increase.

In the event that the Board is granted authorizations to buy own shares and decides to use this authorization, the transactions will be carried out through the stock exchange or at prevailing stock exchange prices if carried out in any other way.

Any transactions, agreements or arrangements between the company and its shareholders, members of the Board, members of the executive management team or close associates of any such parties shall only be

CORPORATE GOVERNANCE AND MANAGEMENT

entered into as part of the ordinary course of business and on arms length market terms. All such transactions shall comply with the procedures set out in the Norwegian Public Limited Liability Companies Act or similar provisions, as applicable. The Board shall arrange for a valuation to be obtained from an independent third party unless the transaction, agreement or arrangement in question must be considered to be immaterial. The company's financial statements shall provide further information about transactions with related parties.

Board members and members of the executive management team shall immediately notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

Transfer of shares

The Shares are freely transferable. The Company's Articles of Association do not contain any provisions imposing limitations on the ownership of the Shares and there are no limitations under Norwegian law on the rights of non-residents or foreign owners to hold or vote for the Shares.

Shareholders who, as per 26th June, owned in total 74.1% of the shares have undertaken a lock up. The lock-up commitment prevents the shareholders from selling, pledging, or in another way dispose such shares without the company's acceptance. The lock-up period accounts for one year for approximately 23.2% of the shares and for two years approximately 50.9% of the shares as from November 2012. Further details can be found in a prospectus dated 26th June 2013 (available on www.reachsubsea.no).

The General Meeting

The annual general meeting of Reach Subsea ASA

The annual general meeting ("AGM") is the company's highest authority. The Board strives to ensure that the AGM is an effective forum for communication between the shareholders and the Board, and encourages shareholders to participate in the meeting.

Preparations for the AGM

The Annual General Meeting is normally held before 30 May every year and at least by 30 June, which is the latest date permitted by company law.

The notice calling the AGM is made available on the company's website, www.reachsubsea.no and sent to shareholders no later than 21 days prior to the meeting, as recommended by the Code. The same notice period applies for extraordinary meetings.

The notices calling the general meetings shall provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting. The notice will also set out:

- The procedure for representation at the meeting through a proxy, including a form to appoint a proxy, to allow for shareholders who are unable to attend in person will be able to vote by proxy and
- The right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting.

The Company shall appoint one person that can vote for the shareholders as a proxy.

The company's articles of association stipulates that the supporting documents dealing with matters to be considered by the AGM can be made available on the company's website rather than being sent to shareholders by post. However, shareholders are still entitled to receive the documents by post upon request if they so wish.

The supporting documentation provides all the necessary information for shareholders to form a view on the matters to be considered.

The date of the next AGM is included in the company's financial calendar, as described in "Information and communication" below.

Agenda and conduct of the AGM

The Board decides the agenda for the AGM and the agenda shall be described in the notice. The main agenda items are determined by the requirements of the Public Limited Liability Companies Act § 5-6 and Article 5 of the articles of association of Reach Subsea ASA.

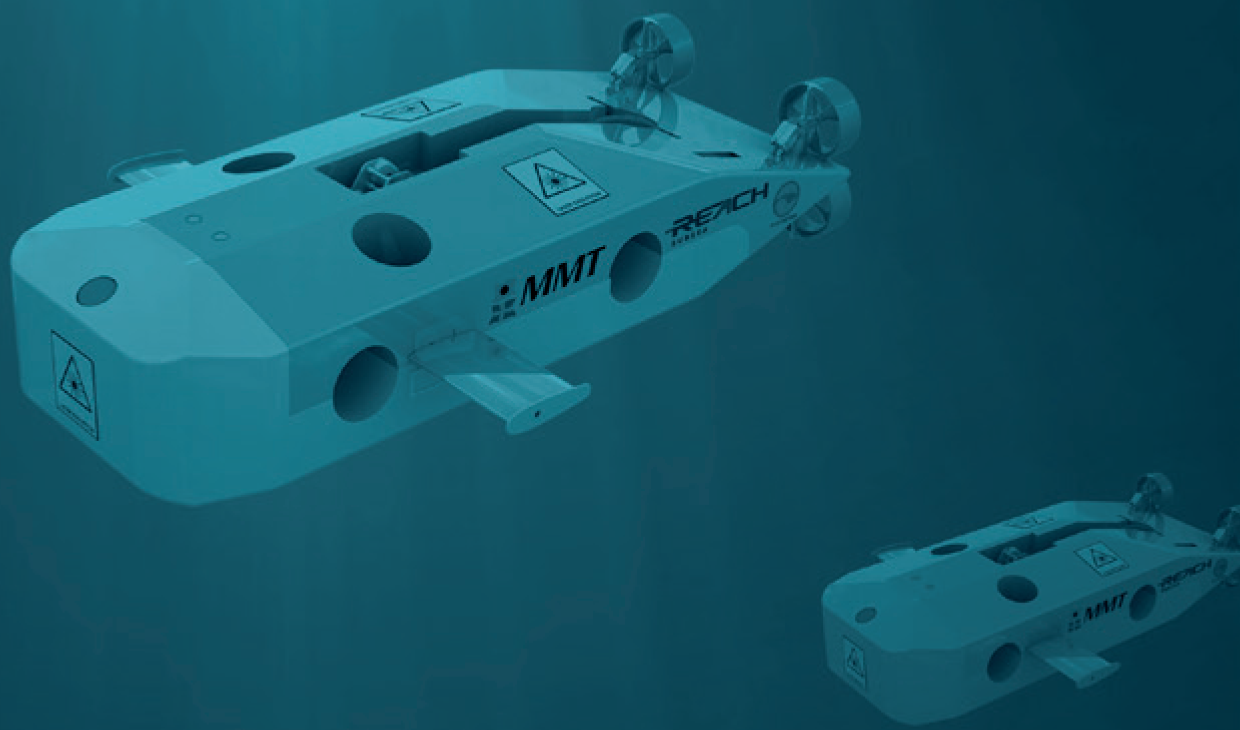
The Board may propose a person independent of the company and the Board to chair the general meetings, ensuring that the AGM has an independent chairperson in accordance with the recommendations of the Code.

Members of the Board Nomination Committee and Auditors are present at the annual general meeting, but normally the full Board has not participated. Matters on the agenda have so far not created a need for this. The chairman of the Board and the Managing Director are always present to answer questions.

The AGM minutes are published by issuing a stock exchange announcement, and are also made available on the company's website at www.reachsubsea.no

SURVEYOR

HIGH QUALITY POSITIONING
ROV FOR HIGH SPEED SURVEYS



NORMAND REACH

CONSTRUCTION
SUPPORT VESSEL

CORPORATE GOVERNANCE AND MANAGEMENT

Nomination committee

Reach Subsea has a nomination committee consisting of three members elected for a period of 2 years, according to section 3 of the company's articles of association.

The following three members form the nomination committee:

- Harald Eikesdal (Chairman)
- Jostein Alendal
- Bjørge Gretland

Pursuant to section 6 of the articles of associations, the nomination committee shall propose board member candidates to the general meeting in connection with notices thereof. The nomination committee shall also make proposal for the remuneration of the Board.

The board - composition and independence

The company does not have a corporate assembly.

The Board of Reach Subsea is appointed by the general meeting. According to section 3 of the company's articles of association, the Board shall consist of 3 to 9 members. Board members are elected for a period of 2 years.

At the company's extra ordinary general meeting 28.11.12, a new Board was elected. The general meeting also appointed the chairman of the Board. After this, the Board consists of five members, of which two are women.

The Board has the requisite competency to independently evaluate the cases presented by the management as well as the company's operations, and function well as a body of colleagues.

The members of the Board represent varied and broad experience from relevant industries and areas of technical specialty, and the members bring experience from both Norwegian and international companies. More information about the board members expertise and background, as well as their holdings of shares in the company can be found on the company's website www.reachsubsea.no

The Board does not include any members from the company's executive management team and all the members are considered independent of the company's material business contacts. 80 % of the members of the Board are considered independent of the company's main shareholders.

The work of the board of directors

The Board prepares an annual plan for its work with special emphasis on goals, strategy and implementation. The Board's primary responsibility is

- Participating in the development and approval of the company's strategy,
- Performing necessary monitoring functions and
- Acting as an advisory body for the Executive Management Team.

Its duties are not static, and the focus will depend on the company's ongoing needs. The Board is also responsible for ensuring that the operation of the company is in compliance with the company's values and ethical guidelines. The chairman of the Board is responsible for ensuring that the Board's work is performed in an effective and correct manner.

The Board shall ensure that the company has a good management with clear internal distribution of responsibilities and duties. The CEO is responsible for the executive management and day-to-day operations of the company. Further details on the duties of the Board are included in the instructions to the Board.

All members of the Board receive information about the company's operational and financial development on a monthly basis. The company's strategies shall regularly be subject to review and evaluation by the Board.

The Board evaluates its work on an annual basis. The Board of the Company acts as the audit committee. The Board may from to time also appoint other sub-committees, as deemed necessary or appropriate.

CORPORATE GOVERNANCE AND MANAGEMENT

Risk management and internal control

The Board shall seek to ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. The internal control and systems include the company's values and guidelines for ethics and corporate governance.

The Board shall ensure that the company's internal control comprises guidelines, processes, duties, conduct and other matters that:

- Facilitate targeted and effective operational arrangements for the company and also make it possible to manage commercial risk, operational risk, the risk of breaching applicable legislation and regulations as well as all other forms of risk that may be material for achieving the company's commercial objectives;
- Contribute to ensuring the quality of internal and external reporting; and
- Contribute to ensuring that the company operates in accordance with the relevant legislation and regulations as well as with its internal guidelines for its activities, including the company's ethical guidelines and corporate values.
- When separate guidelines for CSR are established, these will also be included in the company's systems.

The Board shall form its own opinion on the company's internal controls, based on the information presented to the Board. Reporting by executive management to the Board shall be prepared in a format that gives a balanced presentation of all risks of material significance, and of how the internal control system handles these risks.

The Board has approved routines for internal control and risk management. The objective for the company's risk management and internal control is to manage, rather than eliminate, exposure to risks related to the successful conduct of the company's business and to support the quality of its financial reporting. Effective risk management and good internal control contribute to securing shareholders' investment in the company and the company's assets.

The Board shall carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements, and provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the company's financial reporting.

Within risk management and internal control, the audit committee's duties and responsibilities include:

- Monitoring the financial reporting process, focusing on the following main areas:
- Changes in accounting principles
- Critical accounting estimates or judgments
- Material adjustments to the accounts requested or suggested by the statutory auditor
- Areas where there is a difference of opinion between the management and the statutory auditor
- Monitoring the effectiveness of the company's financial reporting processes, internal control, and internal audit where applicable, and risk management systems.
- Monitoring the statutory audit of the annual accounts.
- Establishing and evaluating procedures for the correct handling and registering of complaints relating to financial reporting, accounting, internal control and statutory audit.

ADVANCE
PERFORM
ACHIEVE

Board compensation

The general meeting annually determines the Board's remuneration, based on proposal by the nomination committee. Remuneration of board members shall be reasonable and based on the Board's responsibilities, work, time invested and the complexity of the enterprise. The compensation shall be a fixed annual amount. The chairman of the Board may receive a higher compensation than the other members. The Board shall be informed if individual board members perform other tasks for the company than exercising their role as board members. Work in sub-committees may be compensated in addition to the remuneration received for board membership. This will be specified in the Annual Report.

The company's annual accounts provide information about the Board's compensation.

Compensation to executive management

The Board decides the salary and other compensation to the CEO, however so that any compensation linked to the value of the company's shares shall be approved by the general meeting in accordance with the Norwegian Public Limited Companies Act. The CEO's salary and bonus shall be determined on the basis of an evaluation with emphasis on the following factors: financial results, business development, employee and customer satisfaction. Any fringe benefits shall be in line with market practice, and should not be substantial in relation to the CEO's basic salary.

The Board annually carries out an assessment of the salary and other remuneration to the CEO. The company's annual accounts provide information about salary and other compensation to the CEO and the executive management team.

The CEO determines the remuneration of executive employees based on guidelines for the remuneration prepared by the Board. The guidelines lay down the main principles for the company's management remuneration policy. The salary levels should not be of a size that could harm the company's reputation, or above the norm in comparable companies. The salary levels should, however, ensure that the company can attract and retain executive employees with the desired expertise and experience.

SUPPORTER

COMPACT AND POWERFUL
WORK CLASS ROV

CORPORATE GOVERNANCE AND MANAGEMENT

Information and communication

Reach Subsea maintains a proactive dialogue with analysts, investors and other stakeholders of the company. The company strives to continuously publish relevant information to the market in a timely, effective and non-discriminatory manner, and has a clear goal to attract both Norwegian and foreign investors and to promote higher stock liquidity. Emphasis is placed on ensuring that the shareholders receive identical and simultaneous information.

All stock exchange announcements are made available on the Oslo Stock Exchange website, www.newsweb.no as well as the company's website, www.reachsubsea.no

The announcements are also distributed to news agencies and other online services.

Reach Subsea publishes its preliminary annual accounts by the end of February and the complete annual report, including approved and final annual accounts and the Board of Directors report, is available no later than 30 April each year as required by the Securities Trading Act.

The company's financial calendar for the coming year is published as a stock exchange announcement and made available on the company's website no later than 31 December each year, in accordance with the continuing obligations for companies listed at the Oslo Stock Exchange.

Reach Subsea ASA intends to hold open presentations in connection with the publication of the company's results. The presentations are webcasted for the benefit of investors who are not able to attend the presentations. At the presentations, the executive management review and comment on the published results, market conditions and the company's future prospects.

The company's management gives high priority to communication with the investor market. Individual meetings are organized for major investors, investment managers and analysts. The company also attends investor conferences.

The Board has issued guidelines for the investor relations function of the company, including authorized spokespersons of the company.

Take-overs

It is not considered necessary to develop explicit guidelines for how Reach Subsea will act in a takeover bid of the actions described above. The Board supports the recommendation on this issue.

Auditor

Reach Subsea is audited by PricewaterhouseCoopers in Stavanger, Norway.

Each year the auditor present to the Board a plan for the audit work and confirm that the auditor satisfies established requirements as to independence and objectivity.

The auditor shall be present at Board meetings where the annual accounts are on the agenda. Whenever necessary, the Board shall meet with the auditor to review the auditor's view on the company's accounting principles, risk areas, internal control routines etc. At least one time per year, the Board and the auditor shall meet without the presence of anyone from the executive management.

The use of the auditor as a financial advisor to the company should be sought limited to cases where such use of the auditor does not have the ability to affect or question the auditors' independence and objectiveness as auditor for the company. Only the company's CEO and/or CFO shall have the authority to enter into agreements in respect of such counselling assignments.

At the Annual General Meeting, the Board shall present a review of the auditor's compensation as paid for auditory work required by law and remuneration associated with other assignments.

In connection with the auditor's presentation to the Board of the annual work plan, the Board should specifically consider if the auditor to a satisfactory degree also carries out a control function.

The Board shall arrange for the auditor to attend General Meetings as and where appropriate.

PROFIT & LOSS

Consolidated statement of comprehensive income

(NOK 1000)	2013	2012	NOTES
Continuing operations			
Revenues	62,028	3,560	
Other operating income	248	-	
Operating income, in total	62,276	3,560	
Operating expenses			
Expenses of sales	(6,100)	-	
Depreciation	(3,649)	-	11
Employee expense	(18,945)	(5,076)	6
Other operating cost	(53,766)	(4,111)	5.6
Operating expenses, in total	(82,460)	(9,187)	
Operating results	(20,184)	(5,626)	
Financial income and Financial costs			
Interest and other finance income	2,487	132	7
Interest and other finance expense	(1,050)	(3)	7
Profit (loss) on exchange	-	-	
Net financial items	1,437	129	
Profit (loss) before taxes	(18,747)	(5,497)	
Taxes	3,000	-	8
Profit (loss) for the year	(15,747)	(5,497)	
Other comprehensive income			
Foreign currency translation			
Comprehensive income	(15,747)	(5,497)	
Result attributable to			
Owners of the Company	(15,747)	(5,497)	14
Profit (loss) per share	(0.26)	(0.35)	9
Diluted profit (loss) per share	(0.26)	(0.35)	9

The notes on page 30 to 57 are an integral part of these financial statements.

FINANCIAL POSITION

Consolidated statement of financial position

(NOK 1000)	2013	2012	NOTES
Assets			
Non-current assets			
Property, plant and equipment	85,743	-	11
Deferred tax asset	8,161	4,238	8
Non-current assets, in total	93,905	4,238	
Current assets			
Inventories	-	-	
Trade receivables	13,183	345	12, 17
Other current receivables	50,408	511	12
Cash and cash equivalents	53,718	45,578	13
Current assets, in total	117,308	46,434	
Assets, in total	**211,213**	**50,671**	
Equity and liabilities			
Equity			
Share capital	75,918	43,828	14
Share premium	67,096	-	
Other equity	(14,119)	397	
Equity, in total	128,895	44,224	
Non-current liabilities			
Interest-bearing debt	67,029	-	18
Non-current liabilities, in total	67,029	-	
Current liabilities			
Trade payables	1,254	4,893	16, 17
Taxes, payables	-	-	8
Public duties a.o.	1,748	958	16
Interest-bearing debt short-term	10,461	-	8
Other current liabilities	1,826	596	16, 18, 19
Current liabilities, in total	15,289	6,447	
Equity and liabilities in total	**211,213**	**50,671**	

The notes on page 30 to 57 are an integral part of these financial statements.

CASHFLOW

Consolidated cash flow statement

(NOK 1000)	2013	2012	NOTES
Operations			
Profit (loss) before taxes	(18,747)	(5,497)	
Paid tax	-	(103)	8
Depreciation and write-downs	3,649	-	
Change in debtors	(15,735)	1,373	
Change in creditors	(1,619)	(17)	
Change in other accruals	1,232	2,635	
Net cash flow from operations (1)	(31,220)	(1,609)	
Investments			
Investment in equipment	(89,392)	-	
Guarantees Charter-party	(47,000)	-	
Cash acquired in reverse takeover		1,693	
Net cash flow from investments (2)	(136,392)	1,693	
Financing			
Proceeds from issuance of ordinary shares	98,262	42,215	
Proceeds from borrowings	77,490	-	
Net cash flow from financing activities (3)	175,752	42,215	
Net cash flow for the year (1+2+3)	8,140	42,299	
Cash and cash equivalents 1/1	45,578	3,279	
Cash and cash equivalents 31/12	53,718	45,578	
Restricted cash	967	571	

The notes on page 30 to 57 are an integral part of these financial statements.

EQUITY

Equity

(NOK 1000)	Share capital	Share premium	Retained earnings	Total	NOTES
Equity 1 January 2013	43,828	-	397	44,225	
Profit for the year	-	-	(15,747)	(15,747)	
Other comprehensive income for the year	-	-	-	-	
Total comprehensive income for the year	-		(15,747)	(15,747)	
Fair value of share options	-	-	1,232	1,232	
Proceeds from shares issued	32,090	67,096	-	99,186	
Equity 31 December 2013	75,918	67,096	(14,118)	128,895	
Equity 1 January 2012	485		4,616	5,101	
Increase in capital	26,250		11,781	38,031	
Contribution in kind	17,093		(8,718)	8,375	
Dividend not paid			(1,785)	(1,785)	
Comprehensive income			(5,497)	(5,497)	
Equity 31 December 2012	43,828		397	44,224	

Haugesund 28th April 2014

Rune Lande
Chairman of the Board

Anders Onarheim
Board member

Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Martha Kold Bakkevig
Board member

Kåre Johannes Lie
Managing Director

NOTES

Note 1
General Information

Reach Subsea ASA is the parent company in the Group and is domiciled in Norway, with office address Haraldsgata 190, 5527 Haugesund. The company's consolidated financial statements for the 2013 financial year covers Reach Subsea ASA and its subsidiary.

Note 2
Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Reach Subsea ASA have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations, as adopted by the EU.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Reach Subsea ASA completed the acquisition of all the shares in Reach Subsea AS against consideration in the form of issuance of consideration shares to the shareholders in Reach Subsea AS. As a result of the Combination, Reach Subsea AS became a wholly-owned subsidiary of Reach Subsea ASA. Reach Subsea ASA has performed an evaluation of the transaction and has determined that with reference to relevant accounting considerations this transaction will comprise a reverse acquisition. As such Reach Subsea AS is regarded as the accounting acquirer and Reach Subsea ASA the accounting acquiree. Equity components in the financial statements are adjusted retrospectively to reflect the legal capital structure of the legal parent, the accounting acquiree Reach Subsea ASA, but in all other aspects, the financial information prior to the combination at 28 November 2012 is the financial information of Reach Subsea AS.

The consolidated financial statements have been prepared on a going concern basis.

New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing this consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9 Financial Instruments addresses the classification, measurement, and recognition of financial assets, financial liabilities and hedge accounting. IFRS 9 was issued in November 2009, October 2010 and November 2013. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for a financial liability, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. IFRS 9 includes a number of changes and simplifications that increase the possibilities for employing hedge accounting. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board. The implementation date for IFRS 9 is not yet decided, but will be earliest 1 January 2017.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Group until 1 January 2014.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

Subsidiaries: The consolidated financial statements incorporate the financial statements of Reach Subsea ASA, and entities controlled by Reach Subsea ASA. Control is achieved where Reach Subsea ASA is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. Companies that are acquired during the year are consolidated from the date control was obtained.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests: Non-controlling interests are included in the Group's equity. Non-controlling interests consist of their share of the carrying value of subsidiaries including the share of identified excess value at the date of acquisition. Transactions with non-controlling interests are treated as transactions with equity owners of the Group. There are currently no non-controlling interests.

Associates: Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 and 50 % of the voting rights. Investments in associates are accounted for using the equity method of accounting, and are initially recognized at cost.

NOTES

The Group's share of its associates' income or other comprehensive income is recognized on separate lines in the income statement or the statement of other comprehensive income respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations on behalf of the associate. In the statement of financial position associates are presented as non-current assets.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. When accounting policies of associates are different from those of the Group, the figures are amended to ensure consistency.

Joint arrangements: The Group has applied IFRS 11 to all joint arrangements as of 1 January 2012. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. Reach Subsea ASA has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group. The change in accounting policy has been applied as from 1 January 2012.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The Group has only one segment, and has not prepared any segment reporting.

Foreign currency translation

Functional currency and presentation currency: The Group presents its financial statements in NOK. The functional currency of the consolidated entities in the Group is the currency of the primary economic environment in which the entity operates. The parent company has NOK as functional currency.

Transactions and balances: Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement within financial income and financial costs.

Property, plant and equipment

Property, plant and other equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes costs related to the purchase of the item.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Upon acquisition, property, plant and equipment are decomposed for depreciation purposes if this is material for the determination of the depreciation expense. The components are depreciated on a straight-line basis over expected useful life to estimated residual value at the end of their useful life

Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts less their residual values over their estimated useful lives, as follows:

- Machinery 10-15 years
- Vehicles 3-5 years
- Furniture, fittings and equipment 3-8 years
- ROVs 3-8 years

The assets' residual values and useful lives are reviewed, and the depreciation schedule adjusted, if appropriate, at the end of each reporting period.

Impairment of non-financial assets

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or where annual testing for impairment is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

Onerous contracts

Provisions for onerous contracts are recognized when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Leases

Accounting as lessee: Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other longterm payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Accounting as lessor: When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to a as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset.

Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

NOTES

Financial assets

Categories: The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement: Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

Offsetting financial instruments: Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial instruments:

a) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The Group classifies fuel as inventory.

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight- line basis over the expected lives of the related assets.

Cash and cash equivalents

Cash equivalents are short-term liquid investments that can be converted instantly into cash of a known amount, and have a maximum maturity of three months.

Share capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares is shown in equity as a deduction, net of tax, from the proceeds. Where any Group company acquires the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable cost (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable transaction cost and income tax, is included in equity attributable to the Company's equity holders.

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Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Taxes

The tax expense in the period comprises current tax and changes in deferred taxes. Tax expense is recognized in the income statement, except to the extent that it relates to items that are recognized in other comprehensive income, or directly in equity. In such cases the relating tax expense is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Pension obligations

For defined contribution plans, the contributions are recognized as employee benefit expense over the period the contribution will cover. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Share-based payments

The Group has an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example, an entity's share price);
- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an economic settlement will take place in consequence of this obligation, and a reliable estimate can be made of the amount. Provisions are based on best estimate.

Contingent liabilities are not recognized in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

A contingent asset is not recognized in the annual financial statements, but is disclosed if it is probable that a benefit will accrue to the Group.

Recognition of revenue

General: Revenue from sale of services is recognized when it is probable that transactions will generate future economic benefits that will flow to the Group, and the amount can be reliably measured. Revenues are shown net of value added tax and discounts.

Sales of services: The Group sells design services to other. For sales of services under fixed rate contracts, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided. For other services, revenue is recognised based on the agreed rate as the services are rendered.

Revenue from leases: Revenue from time-charter leases is recognized as operational leases using a straight-line basis over the term of the contract. TC hire is presented separately in the income statement.

Cash flow statement

The cash flow statement is prepared according to the indirect method.

Note 3 Financial Risk Management

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management for the Group is carried out by Management. Management identifies, evaluates and hedges financial risks in close co-operation with the operating units within the Group. The Board approves the principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity.

3.1.1 Market Risk

Foreign exchange risk: The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the NOK, USD, GBP, SEK and EURO. Foreign exchange risk arises from future commercial transactions and recognised assets or liabilities.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not an entity's functional currency. The Group aims at achieving a natural hedge between cash inflows and cash outflows and manages remaining

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foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, by forward contracts and similar instruments as appropriate

The Group's risk management policy is to hedge anticipated transactions in each major currency.

Price risk: The Group is exposed to commodity price risk at two main levels:

The demand for ROV units is sensitive to oil price developments, fluctuations in production levels, exploration results and general activity within the oil industry.

The cost of construction of future units is sensitive to changes in market prices of the input factors.

3.1.2 Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers. The Group has no significant concentration of credit risk towards single financial institutions and has policies that limit the amount of credit exposure to any single financial institution. Credit exposures to customers are mainly concentrated around the engineering contracts.

3.1.3 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions. The Group aims to maintain flexibility in its liquidity by keeping committed credit lines available

3.1.4 Cash Flow and Fair Value Interest Rate Risk

The Group's interest rate risk arises from bank deposit held at floating rates, and the possible impact on the financial statement is estimated to be immaterial.

Note 4 Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are assumed to be reasonable under current circumstances.

4.1 Critical Accounting Estimates and Assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Income taxes

Judgment is required in determining the provision for income taxes, and the recognition of deferred tax assets. During the ordinary course of business, transactions and calculations occur for which the ultimate tax effect is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The accounting for deferred income tax asset relies upon management's judgment of the Group's ability to generate future positive taxable income in each respective jurisdiction.

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Note 5 - Operating costs specified

(NOK 1000)	2013	2012
Rental cost	41,281	573
Consultant cost	1,832	2,128
Administration costs	10,653	1,410
Operating costs, in total	53,766	4,111

Note 6 - Wages, number of employees, benefits and loans to employees

Wages and social costs

(NOK 1000)	2013	2012
Salaries	13,933	4,324
Social security tax	2,360	632
Pensions	563	84
Other benefits	857	37
Option cost	1,232	-
Wages and social costs, in total	18,945	5,076
Number of man-year	23	6

The number of man-year includes hired personnel.
The company has a defined contribution plan, total cost during the year is as specified above.

Note 6 - Continued

Compensation and benefits to management

Guidelines for remuneration: The company's guideline for management compensation and benefits is to offer competitive conditions to secure continuity in the management group. Reach Subsea shall offer benefits as for comparable Norwegian companies. Compensation to CEO and CFO is specified below.

(NOK 1000)	Salary	Pension costs	Other comp	Share options	Total
2013					
Managing Director CEO	1,100	44	8	219,140	
CFO	824	33		159,375	
COO	927	37		179,297	
Total	2,851	114	8	-	
2012					
Managing Director CEO 1)	550	11	2	-	
CFO 2)	67	1	0	-	
Technical Manager	781	16	8	-	
Total	1,398	28	10	-	

1) New CEO hired 01.06.12. 2) New CFO hired 01.12.12.
Managing director has no agreement about early retirement or payment with termination of the employment.

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Note 6 - Continued

The Board's remuneration

(NOK 1000)	2013	2012
Rune Lande	250	0
Anders Onarheim	100	0
Martha K. Bakkevig	100	0
Merete Haugli	100	0
Sverre B. Mikkelsen	100	0

The Auditors remuneration

(NOK 1000)	2013	2012
Auditing	949	32
Attestation services		
Tax consulting	41	
Other assistance*	1,597	1,051
Total	2,586	1,083

All amounts are exclusive of value added tax.
*Other assistance are services rendered by elected auditor PwC in regards to prospectus and listing process.

Note 6 - Continued

Shares owned by the board of directors and others

Shares owned by members of the Board and by the management at year-end, including shares owned by immediate family members and/or controlled companies are as follows:

		2013		2012	
		Shares	Stake	Shares	Stake
Accello Partners I AS	Partly owned by Anders Onarheim (Board member)	23,444,254	30.9 %	15,625,000	35.7 %
Joso Invest AS	Owned by Kåre Johannes Lie (CEO)	6,864,589	9.0 %	5,927,089	13.5 %
JT Invest AS	Partly owned by Jostein Alendal (management)	5,301,539	7.0 %	5,301,539	12.1 %
A-Å Invest AS	Partly owned by Åge Nilsen (management)	3,749,949	4.9 %	3,281,199	7.5 %
SMS Investering AS	Partly owned by Svein Magne Storesund (management)	1,652,366	2.2 %	1,652,366	3.8 %
Invicta Invest AS	Partly owned by Inge Grutle (management)	909,179	1.2 %	909,179	2.1 %
Døving Invest AS	Partly owned by Bjørg Døving (management)	584,008	0.8 %	521,508	1.2 %
Consus AS	Owned by Rune Lande (COB)	710,925	0.9 %	85,925	0.2 %
Sverre B. Mikkelsen	Board Member	242 175	0.3 %	85,925	0.2 %
Kold Invest AS	Partly owned by Martha K. Bakkevig	117,175	0.2 %	85,925	0.2 %
Birgitte W. Johansen	Management	85,925	0.1 %	85,925	0.2 %
Total	1,398	43,662,084	58%	33,561,580	77%

Note 7 - Finance income and costs

(NOK 1000)	2013	2012
Interest expense:		
Bank borrowings	3,666	3
Net foreign exchange	382	0
Total finance costs	4,048	3
Less: amounts capitalised on qualifying assets (Note 9)	(2,998)	0
Interest and other finance expense	1,050	3
Finance income:		
Interest income on short term bank deposits	2,200	132
Other finance income	287	0
Finance income:	2,487	132
Financial items in total	1,437	129

Note 8 - Taxes

(NOK 1000)	2013	2012
Taxes		
Taxes payable	-	-
Changes in deferred taxes	3,000	-
Taxes, in total	3,000	-
Deferred taxes / (deferred tax assets)		
Temporary differences:		
Other fixed assets	4,531	(469)
Financial leases	2,612	-
Tax loss carried forward	(163,428)	(128,886)
Temporary differences, in total	(156,285)	(129,355)
Deferred tax assets	(42,197)	(36,219)
Not recognized deferred tax assets	(34,036)	(31,981)
Deferred tax assets identified in acquisition (note20)	4,230	4,230
Deferred tax assets in balance sheet	8,161	4,238

Deferred tax assets are recognized in the statement of financial position based on expected utilization of tax losses carried forward and temporarily differences. The calculated deferred tax assets are not booked in the position of financial statement, but will be booked when the group comes into tax position again. This has no consequences on the future utilization of the tax benefits in the years to come.

Reconciliation from nominal to actual tax rate:		
Profit and loss before taxes	(18,747)	(5,497)
Nominal tax rate	28%	28%
Anticipated income tax due to nominal tax rate	5,249	1,539
Tax effects of:		
Permanent differences	-	-
Carry forward tax loss not recognized	(2,249)	(1,539)
Taxes / tax income	3,000	-
Effective tax rate	-16%	0%

NOTES

Note 9 - Earnings per share

Profit (loss) per share is calculated on the consolidated profit (loss) divided by the average number of shares issued.

(NOK 1000)	2013	2012
Profit (loss) - majority interest (NOK 1000)	(15,747)	(5,497)
Profit (loss) per share (NOK)	(0.26)	(0.35)
Diluted profit (loss) per share (NOK)	(0.26)	(0.35)
Numbers of shares for EPS	61,727,640	15,737,289
Diluted number of shares	61,727,640	15,737,289
Number of shares 1/1	43,828,104	13,183,578
Number of shares 31/12	75,918,183	43,828,104

Options are not reflected in the calculation of diluted earnings per share as they would be antidilutive.

Note 10 - Shares in subsidiaries

Company	Business office	Voting rights and ownership
Reach Subsea AS	Haugesund	100%

Note 11 - Property, plant and equipment

(NOK 1000)	ROV & ROV equipment	ROV & ROV equipment leased	Equipment & office machinery	Total
Year ended 31 December 2013				
Opening net book amount	-	-	-	-
Additions	26,913	62,459	20	89,392
Disposals				-
Depreciation	(290)	(3,357)	(2)	(3,649)
Closing net book value	26,623	59,102	18	85,743
At 31 December 2013				
Cost	26,913	62,459	7,914	7,914
Accumulated depreciation	(290)	(3,357)	(7,896)	(7,896)
Book value	26,623	59,102	18	85,743
Year ended 31 December 2012				
Opening net book amount			-	-
Additions				
Disposals				
Depreciation			-	-
Closing net book value			0	0
At 31 December 2012				
Cost			106	106
Accumulated depreciation			(106)	(106)
Book value			0	0
Depreciation plan/useful life	3 - 8 years	3 - 8 years	3 years	
Depreciation method	Linear	Linear	Linear	

During the year, the group has capitalised borrowing costs amounting to NOK 2.998 (2012:nil) on qualifying assets (note 7). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 5.4 %. Bank borrowings are secured on fixed assets for the value of NOK 85,7 million (2012:nil) (note 18). The category of vehicles and equipment includes vehicles leased by the group to third parties under operating leases with the following carrying amounts:

(NOK 1000)	2013	2012
Cost	89,372	-
Accumulated depreciation at 1 January	-	-
Depreciation charge for the year	(3,647)	-
Net book amount	85,725	-

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Note 12 - Trade and other receivables

(NOK 1000)	2013	2012
Trade receivables	13,183	345
Less: provision for impairment of trade receivables	-	-
Trade receivable net	13,183	345
Repayments	2,396	511
Receivable from related parties		-
Other receivable	1,012	-
Restricted cash deposit	47,000	-
Current portion	63,591	856

All non-current receivables are due within five years from the end of the reporting period.
The fair values of trade and other receivables are as follows:

Trade receivable	13,183	345
Receivables from related parties	-	-
Loans to related parties	-	-
	13,183	345

Changes in allocation for losses of account receivables are as follows:

Balance 1/1	-	-
The years allocation of losses	-	-
The years stated losses	-	-
Balance 31/12	-	-

Receivables	Total	Not due	< 30 d	30-90 d	90 - 360 d	> 360 d
2013	13,183	6,637	1,746	4,800		
2012	345	345				

For receivables who is not overdue is the evaluation, based on previous experience, that there is no need for allowance.

Note 12 - Continued

Trade receivables COUNTER-PARTY WITHOUT EXTERNAL CREDIT RATING	2013	2012
Group 1		
Group 2	1,883	345
Group 3	11,300	
Total trade receivables	13,183	

Group 1 - New customers (less than 6 months). Group 2 - Existing customers (more than 6 months) with no defaults in the past. Group 3 - Existing customers (more than 6 months) with some defaults in the past. The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

(NOK 1000)	2013	2012
NOK	13,183	345
EUR	0	0
USD	0	0

Note 13 - Cash and cash equivalents

(NOK 1000)	2013	2012
Cash and cash equivalents in NOK	99,238	44,807
Cash and cash equivalents in USD	50	649
Cash and cash equivalents in EUR	992	122
Cash and cash equivalents in GBP	438	-
	(47,000)	
Cash and cash equivalents, in total	53,718	45,578
Restricted cash equivalence hereof	967	571
Unused drawing rights	-	-
Rating on banks for cash		
A+	-	39,608
AA	53,718	5,969
Total cash and cash equivalents	53,718	45,577

47.000 of restricted cash is cash deposit in connection with future payments of lease contracts.

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Note 14 - Share capital and information about shareholders

The 20 largest shareholders as of 31.12.2013	Shares	Stake
1. ACCELLO PARTNERS I AS	23,444,254	30.88%
2. JOSO INVEST AS	6,864,589	9.04%
3. JT INVEST AS	5,301,539	6.98%
4. A-Å INVEST AS	3,749,949	4.94%
5. GSE SANDVIK AS	3,437,500	4.53%
6. CAIANO AS	2,278,371	3.00%
7. THERMOTECH INVEST AS	1,810,000	2.38%
8. SMS INVESTERING AS	1,652,366	2.18%
9. SKEISVOLL & CO AS	1,500,000	1.98%
10. AS SPECTRA	1,250,000	1.65%
11. TEM INVEST AS	1,250,000	1.65%
12. LOGTEK HOLDING AS	1,129,697	1.49%
13. BARRUS CAPITAL AS	1,112,160	1.46%
14. INVICTA INVEST AS	909,179	1.20%
15. BARCLAYS CAPITAL SECURITIES LTD.	886,599	1.17%
16. TOLUMA NORDEN AS	810,241	1.07%
17. LION INVEST AS	755,000	0.99%
18. CONSUS AS	710,925	0.94%
19. WORKPARTNER AS	646,508	0.85%
20. THORHEIM HELGE	643,750	0.85%
Sum of 20 largest	60,142,627	79.22%
Sum of the rest of shareholders	15,775,556	20.78%
Total number of shares	75,918,183	100.00%

Note 14 - Continued

The 20 largest shareholders as of 31.12.2012	Shares	Stake
1. ACCELLO PARTNERS I AS	15,625,000	35.65%
2. JOSO INVEST AS	5,927,089	13.52%
3. JT INVEST AS	5,301,539	12.10%
4. A-Å INVEST AS	3,281,199	7.49%
5. CAIANO AS	2,281,881	5.21%
6. SMS INVESTERING AS	1,652,366	3.77%
7. PARETO SECURITIES ASA	1,562,500	3.57%
8. THERMOTECH INVEST AS	1,262,000	2.88%
9. AS SPECTRA	1,250,000	2.85%
10. INVICTA INVEST AS	909,179	2.07%
11. CAIANO SHIP AS	626,069	1.43%
12. DØVING INVEST AS	521,508	1.19%
13. WORKPARTNER AS	521,508	1.19%
14. G-S INVEST AS	441,120	1.01%
15. HELGE THORHEIM	406,250	0.93%
16. MARØY AS	312,500	0.71%
17. AAGE THOEN LIMITED AS	214,237	0.49%
18. LISIA INVEST AS	128,620	0.29%
19. CONSUS AS	85,925	0.20%
20. BIRGITTE WENDELBO JOHANSEN	85,925	0.20%
Sum of 20 largest	42,396,415	96.73%
Sum of the rest of shareholders	1,431,689	3.27%
Total number of shares	43,828,104	100.00%

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Note 15 - Sharebased payments

Share options are granted to executives and to selected employees in 2013. The exercise rice of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the group achieving its target growth in earnings per share over the period, the options have a contractual option term of five years. The group has no legal or constructive obligation to repurchase or settle the options in cash. Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

2013	Average exercise price per share option	Number of options
At 1 January		
Granted	3.20	2,191,404
Forfeited	-	-
Exercised	-	-
Expired	-	-
At 31 December	3.20	2,191,404

Out of the 2.191.404 outstanding options,730.468 options were exercisable. No options was exercised in 2013. Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant-vest	Expiry date	Exercise price in NOK per options	Share options 2013
12.09.2013 Tranch 1	12/09/2014	3.20	730,468
12.09.2013 Tranch 2	12/09/2015	3.20	730,468
12.09.2013 Tranch 3	12/09/2016	3.20	730,468
			2,191,404

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 1.26 per option. The significant inputs into the model were weighted average share price of NOK 3.35 at the grant date, exercise price shown above, volatility of 67,7%, and an annual risk-free interest rate of 2,13%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 6 for share options granted to directors and employees.

Note 16 - Other current liabilities

(NOK 1000)	2013	2012
Accounts payable	1,254	4,893
Liabilities to shareholders and employees	50	50
Social security and other taxes	1,748	958
Other current liabilities	1,776	546
Other current liabilities, in total	4,828	6,447
Interest-bearing debt short-term	10,461	
In total	15,289	6,447

Note 17 - Classification of financial assets and liabilities

2013 (NOK 1000)	Loans and receivables	Assets at fair value through profit and loss	Non-financial assets
Assets			
Trade receivables	13,183	-	-
Other receivables	48,011	-	2,397
Cash and cash equivalents	53,718	-	-
Assets, in total	114,912	-	2,397

2013 (NOK 1000)	Other financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Non-financial liabilities
Liabilities			
Borrowings	77,490		
Suppliers	1,254	-	-
Other current liabilities	3,574	-	-
Liabilities, in total	82,318	-	-

2012 (NOK 1000)	Loans and receivables	Assets at fair value through profit and loss	Non-financial assets
Assets			
Trade receivables	345	-	-
Other receivables	-	-	511
Cash and cash equivalents	45,578	-	-
Assets, in total	45,923	-	511

2012 (NOK 1000)	Other financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Non-financial liabilities
Liabilities			
Suppliers	4,893	-	-
Other current liabilities	1,554	-	-
Liabilities, in total	6,447	-	-

NOTES

Note 17 - Continued

The tables below provides an analysis of the maturity of financial liabilities.

	Remaining contractual maturities				Total	
Financial liabilities 2013	<30 days	30-90 days	90 d -1 year	1-5 y	> 5 years	2013
Suppliers	283	971				1,254
Other financial liabilities	1,787	1,787				3,574
Borrowings		1,050	3,150	16,800		
Interest on borrowing						
Financial liabilities, in total	2,070	2,758	-		-	4,828

	Remaining contractual maturities				Total	
Financial liabilities 2012	<30 days	30-90 days	90 d -1 year	1-5 y	> 5 years	2012
Suppliers	4,893					4,893
Taxes payable	-					-
Other current liabilities	1,554					1,554
Financial liabilities, in total	6,447	-	-		-	6,447

Note 18 - Borrowings

(NOK 1000)	2013	2012
Non current		
Bank borrowings	16,800	
Finance lease liabilities	50,229	-
Total	67,029	-
Current		
Bank overdraft		
Bank borrowings	4,200	
Finance lease liabilities	6,261	
Total	10,461	-
Total borrowings	77,490	-

Bank borrowings

Bank borrowings mature until 2018 and bear average coupons of 5,4% annually. Total borrowings include secured liabilities (bank and collateralised borrowings) of NOK 77,5 millions (2012: 0). Bank borrowings are secured by equipment and cash deposits of the group (note 9). The Group's loans have interest cost based on NIBOR + fixed margins for the whole loan period. The carrying amounts and fair value of the non-current borrowings are as follows:

	Carrying amount		Fair value	
(NOK 1000)	2013	2012	2013	2012
Bank borrowings	21,000			
Debentures and other loans				
Finance lease liabilities	56,490			
	77,490			

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on the borrowing rate of 5.4 % (2012:5.4%) and are within level 2 of the fair value hierarchy.

NOTES

Note 18 - Continued

The carrying amounts of the group's borrowings are denominated in the following currencies:

(NOK 1000)	2013	2012
NOK	77,490	-
EUR	-	-
USD	-	-
	77,490	-

The group has the following undrawn borrowing facilities:

(NOK 1000)	2013	2012
NA	-	-

Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

(NOK 1000)	2013	2012
Gross finance lease liabilities - minimum lease payments		
No later than 1 year	6,034	
Later than 1 year and no later than 5 years	28,438	
Later than 5 years	22,018	
	56,490	

Note 19 - Related parties

Reach Subsea ASA is the parent company of the group. After establishment of the Group by end November 2012, there has been immaterial transactions with related parties. Reference is given to the notes to the holding company Reach Subsea ASA(note12). All transactions were part of the general activity and the agreements have been concluded on marked terms in accordance with Limited Liability Companies Act § 3-8 and § 3-9. Transactions with the management and the Board (salaries) can be found in note 6.

Note 20 - Purchase price allocation

(NOK 1000)	
Issuance of 13,183,578 shares with ratio 1:3	21,094
Grossed up to a 4:3 ratio	28,125
Fair value of the consideration at time of reverse takeover	8,375
Acquisition cost	2,761
Equity at time of reverse takeover	1,384
Value of identified tax asset	4,230

Reach Subsea ASA has acquired all of the shares in Reach Subsea AS against consideration in the form of issuance of the 13,183,578 shares with a nominal value of NOK 1.00 each at the subscription price of NOK 1.60 to the shareholders of Reach Subsea AS. As a result of the combination, Reach Subsea AS became a wholly-owned subsidiary of Reach Subsea ASA The combination was based on an exchange ratio of 1:3 between Reach Subsea ASA and Reach Subsea AS, entailing that following the combination the shareholders in Reach Subsea ASA would retain ownership to 25 % of the combined group, while the previous shareholders in Reach Subsea AS would become the owner of 75 % of the combined group. After the combination, there has been an issuance of shares which has altered this ownership.

Note 21 - Commitments

Operational leasing

The costs relating to operational leases recognized in the income statement related to equipment and real estate for 2013 amounts to NOK 1.027.525 . Total liability at 31.12.13 is NOK 2.6 million. The leasing agreement expire in 2017. Of the total liability NOK 920.226 matures in 2014, NOK 1.68 mill matures in the period between 01.01.14 and 31.12.17.

Operating leases rental receivables – group company as lessor.

The future minimum lease payments receivable under non-cancellable operating leases are as follows:

(NOK 1000)	2013	2012
No later than 1 year	8,400,000	
Later than 1 year and no later than 5 years	20,600,000	
Later than 5 years		

Note 22 - Subsequent events

During the first quarter of 2014 Reach entered into an agreement with Myklebusthaug Shipowners for the charter of the vessel *Dina Star* for one year + one year option with a risk / reward-sharing. The company has signed four contracts with end customers, see the annual report for details of these. The Company has formalized the cooperation with MMT (formerly Marin Mätteknik) around offshore survey services and construction and operation of the ROV Surveyor.

To the Annual Shareholders' Meeting of Reach Subsea ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Reach Subsea ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2013, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2013, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers AS, Kanalsletta 8, Postboks 8017, NO-4033 Stavanger
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Reach Subsea ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Reach Subsea ASA as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for coverage of the loss is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Stavanger, 28 April 2014
PricewaterhouseCoopers AS

Henrik Zetlitz Nessler
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

PROFIT & LOSS - REACH SUBSEA ASA

Operating income and costs

(NOK 1000)	2013	2012	NOTES
Revenue	0	14,762,150	
Other operating income	0	1,328,687	
Operating Income	0	16,090,837	10
Payroll expenses	1,491,086	10,645,169	8, 11
Depreciation and amortisation expense	0	1,192,985	1
Other operating expenses	2,084,476	7,700,609	11, 12
Operating expenses	3,575,562	19,538,762	
Operating profit	-3,575,562	-3,447,925	
Financial income and costs			
Other interest income	1,836,024	609,264	
Other financial income	279,461	1,009,618	
Financial income	2,115,485	1,618,882	13
Loss on sale of financial assets	0.00	252,309,279	
Income from subsidiaries and other group entities	0.00	2,182,222	
Other Interest expenses	179	17,856,893	
Other financial expenses	3,281	0.00	
Financial cost	-3,460	-272,348,394	13
Profit before tax	-1,463,537	-274,177,437	
Taxes	-3,000,000	0	9
Profit/loss	1,536,463	-274,177,437	
Brought forward			
To other equity	1,536,463	0	
From share premium equity	0	-274,177,437	
Total brought forward	1,536,463	-274,177,437	

BALANCE - REACH SUBSEA ASA

(NOK 1000)	2013	2012	NOTES
Deferred tax asset	3,923,403	0	9
	3,923,403	0	
Financial fixed assets			
Investments in subsidiaries	23,855,076	23,855,076	2
Loans to group companies	43,722,172	0	4
Total financial fixed assets	67,577,248	23,855,076	
Total fixed assets	71,500,651	23,855,076	
Current assets			
Other receivables	1,069,178	511,082	
Total debtors	1,069,178	511,082	
Cash and bank deposits	87,455,701	39,608,493	5
Total current assets	88,524,879	40,119,575	
Total assets	160,025,529	63,974,651	
Operating income and costs			

(NOK 1000)	2013	2012	NOTES
Equity			
Restricted equity			
Share capital	75,918,183	43,828,104	7
Share premium reserve	82,158,938	14,849,663	
Total restricted equity	158,077,121	58,677,767	
Retained earnings			
Other equity	1,536,463	0	
Total retained earnings	1,536,463	0	
Total equity	159,613,584	58,677,767	6, 14
Short term liabilities			
Accounts payable	0	4,876,822	
Public duties payable	190,306	420,062	
Other short term liabilities	221,639	0	
Total short term liabilities	411,945	5,296,884	
Operating income and costs			
Total liabilities	411,945	5,296,884	
Operating income and costs			
Total equity and liabilities	160,025,529	63,974,651	
Operating income and costs			

CASHFLOW - REACH SUBSEA ASA

(NOK 1000)	2013	2012
Cash flow from operating activities		
Profit (loss) before taxes	-1,464	-274,177
Paid taxes	-	-
Loss/profit from sale of shares	-	252,309
Depreciation	-	1,193
Differences in expensed pensions and payments in/out of the pension scheme		-3,669
Share of profit from joint venture companies	-	2,182
Change in trade creditors	-4,877	4,508
Change in trade debtors	-	17
Change in other provisions	-1,488	-7,331
Net cash flow from operations	-7,829	-24,968
Cash flow from investments		
Sale of non-current assets	-	935
Repayment of loans group companies	-	116,376
Investment in shares and loans to subsidiaries	-43,722	-132,822
Net cash flow from investments	-43,722	-15,511
Financing		
Repayment of loan	-	-3,440
Share issues	99,399	42,000
Net cash flow from financing activities	99,399	38,560
Net cash flow for the year	47,848	-1,919
Profit (loss) dues to exchange rate fluctuations on cash		1,263
Cash and cash equivalent 1/1	39,608	40,265
Cash and cash equivalent 31/12	87,456	39,608

Haugesund 28th April 2014

Rune Lande
Chairman of the Board

Anders Onarheim
Board member

Sverre B. Mikkelsen
Board member

Merete Haugli
Board member

Martha Kold Bakkevig
Board member

Kåre Johannes Lie
Managing Director

NOTES - REACH SUBSEA ASA

Accounting principles

Notes to the accounts for 2013 (all numbers in '000). The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Use of estimates

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Revenues

Income from sale of services are recognised at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Historical data is applied to estimate and recognise provisions for quantity rebates and returns at the sales date. Provisions for expected guarantee work are recognised as expenses and provisions for liabilities upon sh. Services are recognised in proportion to the work performed.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities.

First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Purchase costs

The purchase cost of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets purchase cost also includes direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Fixed assets

Land is not depreciated. Other fixed assets are reflected in the balance sheet and depreciated to residual value over the asset's expected useful life on a straight-line basis. If changes in the depreciation plan occur the effect is distributed over the remaining depreciation period. Direct maintenance of an asset is expensed under operating expenses as and when it is incurred. Additions or improvements are added to the asset's cost price and depreciated together with the asset. The split between maintenance and additions/improvements is calculated in proportion to the asset's condition at the acquisition date.

Leased assets are reflected in the balances sheet as assets if the leasing contract is considered a financial lease.

Investments in other companies

Except for short term investments in listed shares, the cost method is applied to investments in other companies.

The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contribution from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividend from other companies are reflected as financial income when it has been approved.

Asset impairments

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

NOTES - REACH SUBSEA ASA

Debtors

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a writedown is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Liabilities

Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Pensions

The company has various pension schemes. The pension schemes are financed through payments to insurance companies, with the exception of the early retirement pension scheme (AFP). The company has both defined contribution plans and defined benefit plans.

Defined contribution plan
With a defined contribution plan the company pays contributions to an insurance company. After the contribution has been made the company has no further commitment to pay. The contribution is recognised as payroll expenses. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax

Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated.

The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes).

Deferred tax is reflected at nominal value.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

Options

The Company has established a option program. The option cost are based on a Black & Scholes model, and the cost are amortized over the vesting period.

Note 1 - Fixed assets

Fixed assets	Equipment and office machinery	Total fixed assets
Purchase cost 01.01.	7,788	7,788
Additions	0	0
Disposals	0	0
Purchase cost 31.12.	7,788	7,788
Accumulated depreciation 31.12.	7,788	7,788
Net book value 31.12.	0	0
Depreciation in the year	0	0
Expected useful life (years)	0	
Depreciation plan	Straight line	

Note 2 - Subsidiaries, associated companies and joint venture

Investments in subsidiaries, associated companies and joint ventures are booked according to the cost method.

Location	Ownership/ voting right	Equity last year (100%)	Result last year (100%)	Balance sheet value	Total fixed assets
Reach Subsea AS	Haugesund	100%	-11,093	-17,284	23,855

Note 3 - Debtors and liabilities

Trade debtors	2013	2012
Trade debtors at nominal value	0	0
Bad debts provision	0	0
Trade debtors in the balance sheet	0	0
Debtors which fall due later than one year	**2013**	**2012**
Loans to employess	0	0
Other non current assets	0	0
Total	0	0
Long term liabilities which fall due later than 5 years	**2013**	**2012**
Liabilities to credit institution	0	0
Other long term liabilities (specify)	0	0
Total	0	0
Guarantees	**2013**	**2012**
Mortgage loan guarantees	0	0

NOTES - REACH SUBSEA ASA

Note 4 - Balance with group companies, etc.

	Current assets		Non-current assets	
(NOK 1000)	2013	2012	2013	2012
Group companies	0	0	43,722	0
Associated companies	0	0	0	0
Joint ventures	0	0	0	0
Total	0	0	43,722	0

	Current liabilities		Non-current liabilities	
(NOK 1000)	2013	2012	2013	2012
Group companies	0	0	0	0
Associated companies	0	0	0	0
Joint ventures	0	0	0	0
Total	0	0	0	0

Note 5 - Restricted bank deposits, overdraft facilities

Restricted bank deposits	2013	2012
Withheld employee taxes	105	255

Note 6 - Shareholder's equity

Equity changes in the year	Share capital	Own shares	Share premium reserve	Total
Equity 01.01.	43,828	0	14,850	58,678
Capital increase	32,090	0	70,598	102,688
Net costs in conection with the capital increase	0	0	-3,502	-3,502
Option program booked to equity	0	0	213	213
Profit for the year	0	1,536	0	1,536
Equity 31.12.	75,918	1,536	82,159	159,614

Note 7 - Share capital and shareholder information

The share capital of NOK 75 918 183 consiste of 75 918 183 shares with nominal value of NOK 1,00.

List of (20) major shareholders at 31.12.	Shares	Stake
Accello Partners I AS	23,444,254	31%
Joso Invest AS	6,864,589	9%
JT Invest AS	5,301,539	7%
A-Å Invest AS	3,749,949	5%
GSE Sandvik AS	3,437,500	5%
Caiano AS	2,278,371	3%
Thermotech Invest AS	1,810,000	2%
SMS Investering AS	1,652,366	2%
Skeisvoll & Co AS	1,500,000	2%
AS Spectra	1,250,000	2%
TEM Invest AS	1,250,000	2%
Barrus Capital AS	1,112,160	1%
Logtek Holding AS	1,101,053	1%
Invicta Invest AS	909,179	1%
Barclays Capital SEC A/C Cayman Island CL	886,599	1%
Toluma Norden AS	877,491	1%
Lion Invest AS	755,000	1%
Total	58,180,050	77%
Other owners (ownership <1%)	17,738,133	23%
Total number of shares	75,918,183	100%

Note 8 - Options

Share options are granted to executives and to selected employees in 2013. The exercise price of the granted options is equal to the market price of the shares on the date of the grant. Options are conditional on the emplyee completing three years' service (the vesting period).The options are exercisable starting three years from the grant date, subject to the group achieving its target growth in earnings per share over the period, the options have a contractual option term of five years.

The group has no legal or constructive obligation to repurchase or settle the options in cash

	Average exercise price per share option	2013	2012
At 1 January			0
Granted	3.20	378,515	0
Forfeited			
Exercised			
Expired			
At 31 December		378,515	0

Share options outstanding at the end of the year have the following expiry date and exercise prices.

Grant/vest	Expiry date	Exercise price in NOK per options	Share options 2013
12.09.2013 Tranch 1	12/09/2014	3.20	126,172
12.09.2013 Tranch 2	12/09/2015	3.20	126,172
12.09.2013 Tranch 3	12/09/2016	3.20	126,172
			378,515

There has been no excercises in 2013.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was NOK 1.26 per option. The significant inputs into the model were weighted average share price of NOK 3.35 at the grant date, exercise price shown above, volatility of 67.7%, and an annual risk-free interest rate of 2.13%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

Note 9 - Taxes

Calculation of deferred tax/deferred tax benefit	2013	2012
Temporary differences		
Non-current assets	-349	-450
Other temporary differences	0	0
Net temporary differences	-349	-450
Tax losses carried forward	-136,295	-130,518
Basis for deferred tax	-136,644	-130,968
Deferred tax	-36,894	-36,671
Deferred tax benefit not shown in the balance sheet	32,970	36,671
Deferred tax in the balance sheet	-3,923	0

The reason deferred tax benefit are not reflected in the balance sheet is that the company is in a face of building up, soforth it has not been ,ade probable that the taxable income will be able to make use of the tax benefit.

Basis for income tax expense, changes in deferred tax and tax payable	2013	2012
Result before taxes	-1,464	-274,177
Permanent differences	-4,211	252,315
Basis for the tax expense for the year	-5,675	-21,863
Change in temporary differences	-101	-3,551
Basis for payable taxes in the income statement	-5,776	-25,414
+/- Group contributions received/given	0	0
Taxable income (basis for payable taxes in the balance sheet)	-5,776	-25,414
Components of the income tax expense	**2013**	**2012**
Payable tax on this year's result	0	0
Adjustment in respect of priors	0	0
Total payable tax	0	0
Change in deferred tax	-3,000	0
Tax expense	-3,000	0
Payable taxes in the balance sheet	**2013**	**2012**
Payable tax in the tax charge	0	0
Tax effect of group contribution	0	0
Payable tax in the balance sheet	0	0

NOTES - REACH SUBSEA ASA

Note 10 - Operating income

	2013	2012
Sales income	0	14,762
Other operating income (specify if material)	0	1,329
Total	0	16,091

Note 11 - Payroll expenses, number of employees, remunerations, loans to employees, etc.

Payroll expenses	2013	2012
Salaries/wages	604	8,677
Social security fees	171	1,543
Pension expenses	52	-306
Option program	213	-
Other remuneration	451	731
Total	1,491	10,645
Number of man-year	2	13

The company's pension schemes met the requirements of the law on compulsory occupational pension.

Remuneration to executives	General manager	Board
Salaries/board fee	1,008	455
Pension expenses	30	0
Other remuneration	8	0

Expensed audit fee	2013	2012
Statutory audit (incl. technical assistance with financial statements)	807	367
Other assurance services	0	0
Tax advisory fee (incl. technical assistance with tax return)	20	45
Other assistance (to be specified) *	1,456	1,157
Advisory fee booked to equity	-715	0
Total audit fees	1,568	1,569

VAT is not included in the audit fee.
*Other assistance include services provided by the statutory auditor PwC related to prospect and capital increase.

Note 12 - Related-party transactions

The company has undertaken verious transactions with related parties consist of brokerage of vessel and leasing av office premises for one year. All transactions are carried out as part of the normal course of business and the deal is carried out on commercial terms in accordance with Companies Act §§ 3-8 and 3-9.Transactions with the management and the Board (salaries) can be found in note 11.

Note 13 - Specification of financial income and expenses

Financial income	2013	2012
Interest income	1,836	609
Income from subsidiaries and associated companies	0	0
Interest income from group companies	0	0
Agio / other financial income	279	1,010
Total financial income	2,115	1,619
Financial expenses	2013	2012
Write down of financial assets	0	0
Loss at sale of financial assets (note 12)	0	252,309
Share of loss in associated company	0	2,182
Other financial expenses	3	17,857
Total financial expenses	3	272,348

Note 14 - Profit (loss) per share

Profit (loss) per share is calculated on the profit (loss) divided by the average number of shares issued.

	2013	2012
Profit (loss)	1,536	-274,177
Profit (loss) per share (NOK)	0.02	-3.27
Diluted profit (loss) per share (NOK)	0.02	-3.27
Average number of shares	61,727,640	83,852,441
Average diluted number of shares	61,727,640	83,852,441
Number of shares 1/1	43,828,104	87,890,519
Number of shares 31/12	75,918,079	43,828,104