

Abbot Group Limited
Annual report and financial statements
for the year ended 31 December 2009

Registered Number : 623285



Abbot Group Limited

Annual report and financial statements

for the year ended 31 December 2009

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Abbot Group Limited

Corporate Information

Board of Directors

D Wiest

H Temmen

N Stevenson

B Taylor

Company Secretary

L Cameron

Registered Office

3 Colmore Circus

Birmingham

B4 6BH

Auditors

PricewaterhouseCoopers LLP

32 Albyn Place

Aberdeen

AB10 1YL

Abbot Group Limited

Directors' report for the year ended 31 December 2009

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2009

Business review and principal activities

The Company is a wholly owned subsidiary undertaking of Turbo Alpha Ltd. The ultimate parent company is Turbo Cayman Limited.

The Company's principal activity is a holding company whose principal subsidiary undertakings provide drilling and related well and facilities engineering services both offshore and onshore on a worldwide basis to the energy industry. The principal subsidiary undertakings and investments are set out in note 22 to the financial statements.

As shown on the Company's Income Statement on page 7 the Company is in a position of profit rather than loss as incurred in the previous year. This was mainly due to the payment of a dividend of \$63,422,000. On page 9 of the financial statements, the balance sheet shows that the net asset position of the company at the year end has increased compared to the previous year. This is due to the increase in cash from the dividend received and the negative impact of the decline in the USD/ GBP exchange rate on GBP investments held by the Company.

Principal risks and uncertainties

The principal risks and uncertainties are discussed within note 15 on page 25.

Key performance indicators

The directors of Turbo Cayman Limited manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Abbot Group Limited.

Environment

The Company has various subsidiaries that provide drilling and related well and facilities engineering services both onshore and offshore. In the execution of these services they undertake environmental risk assessments and site appraisals as standard. These assessments are discussed with the clients to improve the environmental performance of the operation as a whole, through the preparation and implementation of site specific environmental plans.

Employees

Details of the number of employees and related costs can be found in note 17 to the financial statements on page 28.

Results and dividends

The profit after tax for the year transferred from reserves was \$64,355,000 (2008: loss \$6,253,000). The directors do not recommend the payment of a dividend (2008: \$nil).

Abbot Group Limited

Directors' report for the year ended 31 December 2009 (continued)

Directors and their interests

The directors who served during the year were as follows

P Milne (resigned 11 August 2010)

D Wiest (appointed 20 August 2010)

H Temmen

N Stevenson

B Taylor

A Locke (resigned 20 November 2009)

Statement of directors' responsibilities

The directors are responsible for preparing the Director's report and financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

Directors' statement as to disclosure of information to auditors

- a) So far as each Director is aware, there is no relevant audit information of which the auditors are unaware and
- b) Each of the Directors has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Abbot Group Limited

Directors' report for the year ended 31 December 2009 (continued)

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and the directors continue to adopt the going concern basis in preparing the accounts. Refer to Note 1 of Notes to the Financial Statements



By order of the Board

L Cameron
Secretary
23 September 2010

Independent Auditors' Report to the Members of Abbot Group Limited

We have audited the financial statements of Abbot Group Limited for the year ended 31 December 2009 which comprise the income statement, the balance sheet, the statement of cash flows, the statement of other comprehensive income, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent Auditors' Report to the Members of Abbot Group Limited (continued)

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures set out in note 1 to the financial statements concerning the Company's ability to continue in operational existence for the foreseeable future

The Group in which the Company is a part breached one of its financial covenants during 2010 and the Group's directors have commenced discussions with its lenders to agree amended borrowing terms. This indicates the existence of material uncertainty that may cast significant doubt on the Group and the Company's ability to continue as a going concern. Should this uncertainty not be successfully resolved the going concern basis of preparation may no longer be applicable and adjustments to the financial statements may be required to record additional liabilities and write down assets to their recoverable amounts.

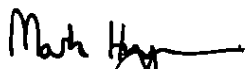
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Mark Higginson (Senior Statutory Accountant)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
23 September 2010

Abbot Group Limited

Income statement for the year ended 31 December 2009

	Note	2009 \$'000	2008 \$'000
Revenue		9,859	9,960
Cost of Sales		(8,274)	(3,584)
Gross profit		1,585	6,376
Administrative expenses		(4,804)	(4,137)
Amounts owed by group undertakings written off	12	(5,393)	-
Other income	5	64,922	-
Operating profit		56,310	2,239
Finance costs	4	(9,740)	(26,221)
Finance income	4	17,785	17,729
Profit/(loss) before taxation	6	64,355	(6,253)
Taxation	7	-	-
Profit/(loss) for the year		64,355	(6,253)

All of the above profits for the period arise from continuing operations

Abbot Group Limited

Statement of comprehensive income for the year ended 31 December 2009

		2009	2008
	Note	\$'000	\$'000
Profit / (loss) for the year		64,355	(6,253)
Other comprehensive income:			
Actuarial losses on defined benefit pension	18	(32)	(456)
Exchange difference on translation of foreign operations		41,966	(157,256)
Other comprehensive income / (loss) for the year		41,934	(157,712)
Total comprehensive income / (loss) for the year		106,289	(163,965)

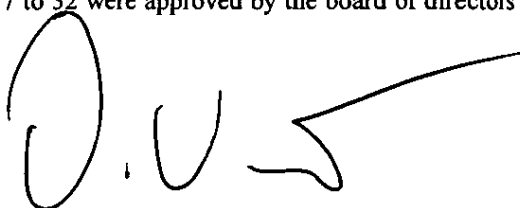
Abbot Group Limited

Balance sheet as at 31 December 2009

	Note	2009 \$'000	2008 \$'000
Assets			
Non-current assets			
Property, plant and equipment	8	31,611	31,852
Intangible assets	9	8,280	8,349
Investments	10	520,519	469,144
		560,410	509,345
Current assets			
Trade and other receivables	12	252,523	61,041
Financial assets – derivative financial instruments	15	-	25
Cash and cash equivalents	11	56,629	21
		309,152	61,087
Total assets		869,562	570,432
Liabilities			
Current liabilities			
Trade and other payables	13	(347,710)	(145,739)
Financial liabilities – derivative financial instruments	15	-	(375)
Financial liabilities – borrowings	14	-	(8,682)
		(347,710)	(154,796)
Non-current liabilities			
Financial liabilities – borrowings	14	(113)	(113)
Retirement benefit obligations	18	(1,591)	(1,664)
		(1,704)	(1,777)
Total liabilities		(349,414)	(156,573)
Net assets		520,148	413,859
Capital and reserves attributable to Company's equity shareholder			
Share capital	16	66,288	66,288
Share premium reserve		456,619	456,619
Other reserves		(87,811)	(129,777)
Retained earnings		85,052	20,729
Total shareholders' equity		520,148	413,859

The financial statements on pages 7 to 32 were approved by the board of directors on 23 September 2010 and signed on its behalf by

D Wiest
Director
23 September 2010
Registered Number 623285



Abbot Group Limited

Statement of changes in equity as at 31 December 2009

	Share Capital \$'000	Share Premium \$'000	Retained Earnings \$'000	Currency Translation Reserve \$'000	Total \$'000
Balance at 1 January 2009	66,288	456,619	20,729	(129,777)	413,859
Comprehensive income					
Profit for the year	-	-	64,355	-	64,355
Other comprehensive income					
Actuarial loss on defined benefit plans (note 18)	-	-	(32)	-	(32)
Exchange adjustments	-	-	-	41,966	41,966
Total other comprehensive income	-	-	(32)	41,966	41,934
Total comprehensive income	-	-	64,323	41,966	106,289
Balance at 31 December 2009	66,288	456,619	85,052	(87,811)	520,148
At 1 January 2008	66,288	456,619	31,703	27,479	582,089
Comprehensive income					
Loss for the year	-	-	(6,253)	-	(6,253)
Other comprehensive income					
Actuarial loss on defined benefit plans (note 18)	-	-	(456)	-	(456)
Exchange adjustments	-	-	-	(157,256)	(157,256)
Total other comprehensive loss	-	-	(456)	(157,256)	(157,712)
Total comprehensive loss	-	-	(6,709)	(157,256)	(163,965)
Transactions with owners					
Employee share schemes (note 17)	-	-	(4,265)	-	(4,265)
Balance at 31 December 2008	66,288	456,619	20,729	(129,777)	413,859

The retained earnings reserve is distributable

Abbot Group Limited

Cash flow statement for the year ended 31 December 2009

	Note	2009 \$'000	2008 \$'000
Cash generated from operations			
Profit/(loss) for the year		64,355	(6,253)
Adjustments for			
depreciation	8	4,253	4,642
amortisation of intangible assets (other)	9	1,187	1,416
loss on sale of property, plant and equipment		-	17
dividend income on financial asset at fair value through profit or loss		(63,422)	-
net movement in provisions and other liabilities and retirement benefit		(294)	(322)
accrual in respect of share based awards		-	2,777
net finance (cost) income		(8,045)	8,492
(increase) in trade and other receivables		(184,593)	(6,673)
increase in trade and other payables		193,951	28,513
Cash generated from operations		7,392	32,609
Cash flows from investing activities			
Purchases of property, plant and equipment		(908)	(714)
Proceeds from sale of property, plant and equipment		309	591
Purchase of intangible assets		(247)	-
Purchase of investment	10	-	(20,000)
Interest paid including capitalised interest		(9,740)	(11,764)
Interest received		17,785	16,822
Dividends received		63,422	-
Net cash generated from (used in) investing activities		70,621	(15,065)
Cash flows from financing activities			
Repayments of borrowings		-	(24,318)
Consideration paid in respect of own shares held in an ESOP Trust		-	(7,042)
Net cash used in financing activities		-	(31,360)
Effect of exchange rate changes		(12,723)	5,974
Net increase/(decrease) in cash and bank overdrafts		65,290	(7,842)
Cash and cash equivalents at beginning of period		(8,661)	(819)
Cash and cash equivalents at end of period	11	56,629	(8,661)

Cash and cash equivalents as set out above on the cash flow statement include overdraft facilities which form part of the Company's cash management

Abbot Group Limited

Notes to the financial statements for the year ended 31 December 2009

1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. A summary of the more important Company accounting policies is set out below.

The Company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Turbo Alpha Limited, which prepares consolidated financial statements that are publicly available.

The Company had net current liabilities of \$38,558,000 due to amounts owed to fellow group undertakings at the balance sheet date of \$92,027,000. However, the directors have obtained confirmation that fellow group undertakings will not require or demand repayment of amounts due to them which would result in the Company being unable to meet its obligations. This confirmation is valid for a minimum of 12 months from the date of approval of the financial statements.

Basis of accounting

The Company's ultimate UK parent company which prepares consolidated financial statements that are publicly available is Turbo Alpha Limited ("the Group"). The Directors of the Company are aware of the disclosure in the Group accounts for the year ended 31 December 2009 with regards to the significant uncertainty surrounding the going concern status of the Group, and have taken this into account when assessing the going concern basis of preparation of these financial statements.

The Group is funded through its Senior and Mezzanine lending facilities, which incorporate a working capital facility. The Group's facility agreements include a number of financial covenants which are measured on a quarterly basis. If any of these covenants are breached, the facilities could be cancelled and the debt would be repayable on demand. If these facilities were cancelled, the Group would have insufficient funds to meet its debts as they fall due and therefore would be unable to continue as a going concern. The working capital facility of the Company is dependent on the availability of the Group facility.

Due to the tightening of the Group's debt covenants in 2010, the Group deferred its Senior debt covenant of Net Debt to EBITDA for quarter 2 2010, by obtaining a covenant waiver for a period of 3 months until mid-November 2010. One of the conditions of the waiver is that further potential draw downs on the working capital facility during the 3 month period are reduced from \$ 40 mm to \$ 20 mm.

Management have engaged Morgan Stanley to assist with the restructuring of the Group's finances and have commenced discussions with its lenders and shareholders to agree amended terms. In the view of the Directors there are no fundamental issues which would prevent such amended terms from being agreed.

The Directors have reviewed the Group's revenue, EBITDA, cashflow projections and resultant debt levels, as a consequence they are of the view that a satisfactory conclusion to these negotiations will be reached and are confident that the Group will have adequate resources to meet all its liabilities as they fall due for the foreseeable future. For these reasons the Directors consider it appropriate to continue to prepare the Group's financial statements on a going concern basis.

As a result, these financial statements have been prepared on a going concern basis and do not contain any adjustments that would result from the going concern basis not being appropriate.

2 Summary of significant accounting policies

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

Foreign currency translation

(i) Functional and presentation currency

The functional currency of the Company is £ Sterling (GBP) as this is the currency which the Company operates in, and it reflects the economic substance of the underlying events and circumstances of the Company.

These financial statements are presented in US Dollars (USD). Management believe that this currency is more useful for the users of the financial statements as it is consistent with the presentation currency of the Turbo Cayman Limited consolidated financial statements.

The exchange rate used in respect of GBP, compared to USD, is as follows:

Average for year	0.6444
Closing rate	0.6246

On translation of non-monetary assets from functional to presentation currency, exchange differences arise which are recognised as a separate component of equity.

(ii) Transactions and balances

Transactions denominated in foreign currencies are translated and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Gains and losses arising on retranslation are recognised in the income statement for the period, except where hedge accounting is applied.

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2. Summary of significant accounting policies (continued)

Investments

Investments held as fixed assets are shown at cost less appropriate provision where the directors consider that impairment in value has occurred

Other intangible assets

Intangible assets are recognised at cost less accumulated amortisation. On acquisition of an entity, intangible assets are identified and evaluated to determine the carrying value on the acquisition balance sheet. Amortisation is provided to write off the cost of each asset over its estimated useful life, using the straight-line method, on the following basis -

Trade names and technology	up to 21 years
Customer relationships	up to 13 years
Contracts	up to 10 years

Property, plant and equipment

Property, plant and equipment held for use in the Company's operations, or for administrative purposes, are stated in the balance sheet at cost, net of depreciation and any provisions for impairment.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset over their estimated useful lives, using the straight-line method over 2-10 years.

Assets in the course of construction are not depreciated until brought into use.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Drilling rigs and equipment

The depreciation for drilling rigs and equipment is calculated by dividing the total number of days a rig is operational in any period over the total estimated number of operational days in the life of the asset. This equates to a useful life of between 3 and 25 years. Should a rig not be operational for an extended period, a charge to depreciation will be made based on its estimated useful life remaining.

Impairment

The Company performs impairment reviews in respect of investments when circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than its carrying amount.

Investments

Investments held as non-current assets are shown at cost less appropriate provision where the directors consider that impairment in value has occurred. Investments are considered for impairment at least annually.

Trade receivables

Trade receivables are recognised initially at fair market value and subsequently less provision for impairment, if applicable. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due.

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits with maturities of less than three months held with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Taxation

The tax charge represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the income statement due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, tax losses carried forward and, in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted, or substantially enacted, by the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Employee benefits, pension obligations

For defined benefit retirement schemes, the cost of providing benefits is determined using the Projected unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement, through the statement of comprehensive income.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of any scheme assets.

Financial assets and liabilities

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

(i) Derivative financial instruments and hedge accounting

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses, to an extent, foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. The Company does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value on the date the contract is entered into and are subsequently remeasured at their fair value.

2. Summary of significant accounting policies (continued)

(i) Derivative financial instruments and hedge accounting (continued)

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so the nature of the item being hedged. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge), hedges of highly probable forecast transactions (cash flow hedges), or hedges of net investments in foreign operation (net investment hedges). The Company currently only uses cash flow hedges and did not enter into any fair value or net investment hedges during the reporting period.

Where hedging is to be undertaken, the Company documents at the inception of the transactions the relationship between the hedging instrument and the hedging item, as well as its risk management objective and strategy for undertaking the hedge transaction.

The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group performs effectiveness testing on a semi-annual basis.

Changes in the fair value of cash flow hedges that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of a non-financial asset or a liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability.

For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

(ii) Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value including directly attributable transaction costs. Such transaction costs are subsequently amortised over the remaining term associated with the borrowings. Borrowings are stated net of the residual transaction costs.

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of value-added tax and other sales related taxes.

Interest income is accrued on a time basis by reference to the principal amount outstanding and the effective interest rate applicable.

Leases

Rentals payable on operating leases are charged to the income statement on a straight line basis over the term of the relevant lease.

2. Summary of significant accounting policies (continued)

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.

Disclosure of impact of new and future accounting standards

The following standards and interpretations were mandatory for the year ended 31 December 2009:

- IAS 1 (revised) Presentation of financial statements. The standard prescribes the basis for presentation of financial statements and aims to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. Comparative information has been re-presented so that it also is in conformity with the revised standard. This has only a presentational impact on the financial statements.
- IFRS 8 Operating Segments. IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires that entities adopt a management approach to reporting financial performance. This has not had a material impact on the Group's financial statements.
- IFRS 7 Financial Instruments Disclosures' (amendment). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. This amendment does not have a material impact on the financial statements as all derivative instruments are classified as level 1 in the fair value measurement hierarchy.
- IAS 23 (revised) Borrowing Costs. The revision to this standard removes the option of immediately recognising borrowing costs as an expense where borrowing costs relate to qualifying assets that take a substantial period of time to get ready for use. This revision has not had any impact on the Group or Company's financial statements because such borrowing costs have not historically been expensed.

The future accounting standards that may affect the Group in 2010 and 2011 are as follows:

- IFRS 3 (revised), Business combinations (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.
- IAS 38 (amendment), Intangible Assets. The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Group or Company's financial statements.

2 Summary of significant accounting policies (continued)

The following standards and interpretations were mandatory for the year ended 31 December 2009 (continued)

- IFRS 5 (amendment), Non-current assets held for sale and discontinued operations The amendment is part of the IASB's annual improvements project published in April 2009 The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1 The Group and Company will apply IFRS 5 (amendment) from 1 January 2010 It is not expected to have a material impact on the Group or Company's financial statements
- IAS 1 (amendment), Presentation of financial statements The amendment is part of the IASB's annual improvements project published in April 2009 The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time The Group and Company will apply IAS 1 (amendment) from 1 January 2010 It is not expected to have a material impact on the Group or Company's financial statements

3 Significant accounting judgments and estimates

The preparation of the financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates Where significant estimates or assumptions have been applied in estimating balances in the financial statements, these have been disclosed in the relevant notes to those balances

Abbot Group Limited

4 Finance income – net

	2009 \$'000	2008 \$'000
Finance costs		
Interest payable on bank borrowings	(177)	(1,889)
Interest payable to group undertakings	(5,707)	(17,001)
Other finance costs	(3,856)	(7,331)
Finance costs	(9,740)	(26,221)
Finance income		
Interest receivable from group undertakings	6,828	13,794
Bank interest receivable	477	2,953
Other interest receivable	-	2
Other finance income	10,480	980
Finance income	17,785	17,729
Finance income/(cost) – net	8,045	(8,492)

The Company pays and receives bank interest as appropriate on the aggregated balances of the current accounts of the Company and various other group undertakings. The Company then reallocates the interest paid or received to those group undertakings as appropriate. As a result, interest payable to group undertakings includes amounts totalling \$1,072,000 (2008: \$8,505,000) relating to interest receivable on the positive bank balances of the other group undertakings. Similarly, interest receivable from group undertakings includes amounts totalling \$2,336,000 (2008: \$11,930,000) relating to interest payable on the overdrawn bank balances of the other group undertakings.

5 Other income

	2009 \$'000	2008 \$'000
Dividend income on financial assets at fair value through profit or loss	63,422	-
Receipt in respect of warranty claim	1,500	-
	64,922	-

6 Profit before taxation

The following items have been included in arriving at profit before taxation

	2009 \$'000	2008 \$'000
Employee benefits expense	103	69
Depreciation of property, plant and equipment	4,253	4,642
Net loss on disposal of property, plant and equipment	-	17
Operating lease rentals payable on properties	72	-
Net foreign exchange losses/(gains)	2,396	(4,516)

6 Profit before taxation (continued)

Auditor Remuneration

Services provided by the Company's auditors and network firms During the year the Company obtained the following services from the company's auditor at the following costs

	2009 \$'000	2008 \$'000
Audit services		
Fees payable to Company's auditor for the audit of company accounts	19	200

7 Taxation

(a) Analysis of charge in year

	2009 \$'000	2008 \$'000
Current tax		
Current tax	-	-
Total tax charge (note 7 (b))	-	-

(b) Factors affecting tax charge in year

The Company's effective tax rate for the current and prior year is lower than the standard rate of corporate tax in the UK, 28% (2008 28.5%), due to the following factors

	2009 %	2008 %
UK standard rate of corporation tax	28.0	28.5
Effects of		
Dividends received not subject to tax	(27.5)	-
Other income received not subject to tax	(0.8)	-
Expenses not deductible for tax purposes	0.5	(1.0)
Deferred tax not recognised	(0.2)	(27.5)
Current tax rate for year	-	-

The Company has not recognised potential deferred tax assets at 28% of \$1,856,000 (2008 \$127,000) on the tax effect of deductible temporary differences and unused tax losses as it may not be possible to utilise the potential benefit in future years

8 Property, plant and equipment

	Drilling rigs	Plant and machinery equipment	Total
	\$'000	\$'000	\$'000
2009			
Cost			
As at 1 January 2009	39,736	1,589	41,325
Additions	888	20	908
Disposals	(415)	(19)	(434)
Exchange adjustments	4,316	311	4,627
As at 31 December 2009	44,525	1,901	46,426
Accumulated depreciation			
As at 1 January 2009	8,918	555	9,473
Depreciation charge	4,042	211	4,253
Disposals	(106)	(19)	(125)
Exchange adjustments	1,043	171	1,214
As at 31 December 2009	13,897	918	14,815
Net carrying amount			
As at 31 December 2009	30,628	983	31,611
2008			
Cost			
As at 1 January 2008	55,305	1,814	57,119
Additions	288	426	714
Disposals	(689)	(3)	(692)
Exchange adjustments	(15,168)	(648)	(15,816)
As at 31 December 2008	39,736	1,589	41,325
Accumulated depreciation			
As at 1 January 2008	7,648	723	8,371
Charge for year	4,510	132	4,642
Disposals	(83)	-	(83)
Exchange adjustments	(3,157)	(300)	(3,457)
As at 31 December 2008	8,918	555	9,473
Net carrying amount			
As at 31 December 2008	30,818	1,034	31,852

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9 Intangible assets

	2009 \$'000	2008 \$'000
Cost		
At 1 January	10,749	14,844
Additions at cost	247	-
Exchange adjustments	1,170	(4,095)
At 31 December	12,166	10,749
Accumulated amortisation		
At 1 January	2,400	1,826
Charge for the year	1,187	1,416
Exchange adjustments	299	(842)
At 31 December	3,886	2,400
Net carrying amount		
At 31 December	8,280	8,349

The intangible assets relate to implementation of computer software

10 Investments

	2009 \$'000	2008 \$'000
a) Shares in Group undertakings		
At 1 January	468,973	627,543
Additions	-	20,000
Exchange adjustments	51,353	(178,570)
At 31 December	520,326	468,973
b) Other investments-associates		
At 1 January	171	237
Exchange adjustments	22	(66)
At 31 December	193	171
Total		
At 31 December	520,519	469,144

A list of principal subsidiary undertakings is given in note 22

Abbot Group Limited

11 Cash and cash equivalents

	2009 \$'000	2008 \$'000
Cash in hand and at banks	56,629	21

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at 31 December

	2009 \$'000	2008 \$'000
Cash in hand and at banks	56,629	21
Bank overdrafts (note 14)	-	(8,682)
	56,629	(8,661)

12 Trade and other receivables

	2009 \$'000	2008 \$'000
Trade receivables	67	170
Amounts owed by group undertakings	249,642	55,863
Other receivables	80	4,924
Prepayments and accrued income	2,734	84
	252,523	61,041

The amounts owed by group undertakings are unsecured and repayable on demand. Interest is receivable on a total of \$206,482,000 of the amounts owed by group undertakings as at 31 December 2009. Interest is charged based on base rates plus appropriate margins. The remaining amounts owed by group undertakings are interest free. All group trading balances are settled on a monthly basis, therefore no impairment provision is required.

During the year \$5,393,000 was written off amounts owed by group undertakings. This related to amounts owed by the Abbot Group Employee Trust which was dissolved on 10 November 2009.

13 Trade and other payables

	2009 \$'000	2008 \$'000
Trade payables	2,587	229
Amounts owed to group undertakings	341,669	140,322
Accruals	3,454	5,188
	347,710	145,739

Amounts owed to group undertakings are unsecured and repayable on demand. Interest is payable on a total of \$283,966,000 of the amounts owed to group undertakings as at 31 December 2009. Interest is charged based on base rates plus appropriate margins. The remaining amounts owed to group undertakings are interest free.

Management consider that there is no difference between the historical value and the fair value of the liabilities due to the short term nature of the balances.

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14 Financial liabilities-borrowings

	2009 \$'000	2008 \$'000
Bank overdrafts	-	(8,682)
Current bank loans – unsecured	-	-
Financial liabilities – borrowings – current	-	(8,682)
Non-current bank loans – secured	(113)	(113)
Financial liabilities – borrowings – non-current	(113)	(113)

The bank loans are denominated in US dollars and bear interest based on LIBOR or foreign equivalents appropriate to the currency denomination of each borrowing. All bank loans and overdrafts bear interest at floating rates. These borrowings are generally rolled over for periods of three months or less, and as a result, their fair value is not deemed to be materially different from their book value.

The non-current bank loan facility is part of an overall Turbo Alpha Limited facility which matures in March 2016.

The average interest rates of the Company's borrowings at the balance sheet dates were as follows:

	2009 %	2008 %
Bank overdrafts	-	1.6
Bank borrowings	3.7	4.0

The carrying amounts of the Company's borrowings and overdrafts are denominated in the following currencies:

	2009 \$'000	2008 \$'000
£ sterling	-	(253)
US dollar	(113)	(39,116)
Euro	-	10,854
Norwegian kroner	-	19,720
	(113)	(8,795)

15 Financial instruments

The Company's multi-national operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates and interest rates. The Company has in place a risk management policy that seeks to limit the adverse effects on the financial performance of the Company by using foreign currency financial instruments and other instruments to fix interest rates.

a) Market risk

i) Foreign exchange risk

Although the financial statements are presented in US dollars, the functional currency of the Company is £ sterling. A portion of the Company's revenue and expenses are denominated in currencies other than £ sterling. The Company is exposed to foreign exchange risks primarily with respect to the US dollar, and to a lesser extent to the Euro, Norwegian kroner and Russian rouble.

In order to protect the Company's balance sheet from movements in exchange rates, whenever practical, the Company seeks to achieve natural hedging by ensuring that expenses are borne in the same currency as related income. Where this is not possible, the Company has entered, to an extent, into forward exchange contracts to hedge its foreign currency exposure.

A movement of 10% is considered to represent a material fluctuation of exchange rates. Movements in all of the Company's exchange rate pairings against £ sterling have been considered as each has the potential to impact on the reported income statement results and net assets.

If £ sterling became 10% stronger against all other currencies of the Company, then revaluation of the balance sheet position at 31 December 2009 would give rise to exchange losses of \$1,109,000 (2008 losses of \$1,478,000).

If £ sterling became 10% weaker against all other currencies of the Company, then revaluation of the balance sheet position as at 31 December 2009 would give rise to exchange gains of \$1,008,000 (2008 gains of \$1,343,000).

ii) Interest rate risk

The Company is exposed to interest rate risk with regard to its interest payable on loans and amounts owed to and by group undertakings.

A movement of 1% is considered to represent a material fluctuation of interest rates.

If the average interest rate had been 1% higher during 2009, then the profit before taxation would have been \$647,000 lower (2008 \$1,365,000 lower).

If the average interest rate had been 1% lower during 2009, assuming a floor rate of 0%, then the profit before taxation would have been \$2,000 lower (2008 \$1,365,000 higher).

iii) Price risk

The Company is not exposed to any significant price risk in relation to its financial instruments.

b) Credit risk

The Company is not exposed to any credit risk as it does not trade externally.

15 Financial Instruments (continued)**c) Liquidity risk**

Liquidity risk is monitored at group level headed by the Company's ultimate parent company, Turbo Cayman Limited. The Group actively maintains a mixture of long-term and short-term combined facilities that are designed to ensure that the group and individual companies including the Company have sufficient funds for operations and planned expansions.

d) Capital risk

The capital structure is monitored at a group level headed by the Company's ultimate parent company, Turbo Cayman Limited, and disclosure is provided in the consolidated statutory accounts of Turbo Cayman Limited.

The table below analyses the Company's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
At 31 December 2009				
Bank borrowings	-	-	-	153
Bank overdrafts	-	-	-	-
Derivative financial instruments	-	-	-	-
Trade and other payables	347,710	-	-	-
At 31 December 2008				
Bank borrowings	-	-	-	157
Bank overdrafts	8,682	-	-	-
Derivative financial instruments	375	-	-	-
Trade and other payables	145,739	-	-	-

15 Financial instruments (continued)

Fair value of non-derivative financial assets and financial liabilities.

The fair value of short-term borrowings, trade and other payables, trade and other receivables, and cash at bank and in hand approximates to the carrying amount because of the short maturity of interest rates in respect of these instruments. Long-term borrowings are generally rolled over for periods of three months or less, and as a result, book value and fair value are considered to be the same.

	2009		2008	
	Book value \$'000	Fair value \$'000	Book value \$'000	Fair value \$'000
Fair value of long-term borrowings				
Long-term borrowings (note 14)	113	113	113	113
Fair value of other financial assets and financial liabilities				
Primary financial instruments held or issued to finance Company's operations				
Trade and other receivables (note 12)	252,523	252,523	61,041	61,041
Cash at bank and in hand (note 11)	56,629	56,629	21	21
Trade and other payables (note 13)	347,710	347,710	145,739	145,739
Short-term borrowings (note 14)	-	-	8,682	8,682

Derivative financial instruments

The fair value of the Company's derivative financial instruments at the balance sheet date were as follows:

	2009		2008	
	Assets \$'000	Liabilities \$'000	Assets \$'000	Liabilities \$'000
Foreign exchange contracts - current	-	-	25	(375)
Total derivative financial instruments - current	-	-	25	(375)

The full fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the item is more than 12 months and, as a current asset or liability if the maturity of the item is less than 12 months.

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16 Share capital

Authorised			2009 \$'000	2008 \$'000
306,666,666 ordinary shares of 15p each			85,100	85,100
Issued and fully paid	2009 Shares	2009 \$'000	2008 Shares	2008 \$'000
Ordinary shares of 15p each				
At 1 January	232,371,671	66,288	232,371,671	66,288
At 31 December	232,371,671	66,288	232,371,671	66,288

The nominal value of shares is stated in £ sterling as this is the functional currency of the Company

17 Directors and employees

Employee benefit expense for the Company during the year (excluding Directors)	2009 \$'000	2008 \$'000
Wages and salaries	446	362
Social security costs	48	41
Other pension costs	28	21
	522	424

Average monthly number of people (excluding executive directors) employed

	2009 Number	2008 Number
Support and administration	7	6
	7	6

Directors/Key Management	2009 \$'000	2008 \$'000
Aggregate emoluments, including money purchase contributions of \$117,000 (2008 \$337,000)	3,045	3,830
Amounts receivable under long-term incentive schemes	-	7,195
	3,045	11,025

The key management are also the Directors of the Company

17 Directors and employees (continued)

Highest Paid Director	2009 \$'000	2008 \$'000
Aggregate emoluments including amounts receivable under long-term incentive schemes	993	2,021

Retirement benefits are accruing to three directors (2008 three) under defined benefit schemes and one director (2008 one) under a money purchase scheme

Under the Abbot Group Long Term Incentive Plan 2003, as recommended by the Remuneration Committee, all of the nil-cost award shares which were held at the date of acquisition of the Company in March 2008 vested to the individuals

Details of movements in the number of shares of nil cost LTIP Annual Shares were as follows

	2009 Number	2008 Number
At 1 January	-	760,362
Exercised	-	(760,362)
At 31 December	-	-

18 Retirement benefit obligations

The Company is responsible for the ongoing funding of the closed OIS Teeside Ltd defined benefit scheme

At 31 December 2009 there were 21 deferred members and pensioners

The most recent actuarial valuation of the scheme was carried out at 31 December 2009 by the Company's pension advisers and the principal assumptions made by the actuaries were

	2009 %	2008 %
Rate of increase in pensions in payment and deferred pensions	3.6	2.9
Discount rate	5.7	5.8
Inflation assumption	2.9	3.4
Expected return on plan assets	5.6	6.4

The expected return on plan assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation

The life expectancy of a male member currently aged 45, retiring at age 65, is 87 years. There are no female plan members

The amount recognised in the balance sheet are determined as follows

	2009 \$'000	2008 \$'000
Present value of funded obligations	(7,504)	(6,097)
Fair value of plan assets	5,913	4,433
Net liability	(1,591)	(1,664)

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18 Retirement benefit obligations (continued)

The major categories of the scheme's assets as a percentage of total scheme assets are as follows

	2009 %	2008 %
Equity securities	61	63
UK corporate bonds	39	37
Total	100	100

The amounts recognised in the income statement are as follows

	2009 \$'000	2008 \$'000
Interest cost	377	489
Expected return on plan assets	(274)	(420)
Total included within administrative expenses	103	69

Changes in the present value of the defined benefits obligation are as follows

	2009 \$'000	2008 \$'000
Present value of obligations at 1 January	6,097	9,376
Interest cost	377	489
Actuarial gains	564	(1,139)
Benefits paid	(205)	(234)
Exchange difference	671	(2,395)
Present value of obligations, 31 December	7,504	6,097

Change in the fair value of plan assets are as follows

	2009 \$'000	2008 \$'000
Fair value of plan assets at 1 January	4,433	7,160
Expected return on plan assets	274	420
Contributions	383	451
Benefits paid	(205)	(234)
Actuarial losses	532	(1,595)
Exchange difference	496	(1,769)
Fair value of plan assets, 31 December	5,913	4,433

The actual return on assets was \$793,000

Analysis of the movement in the balance sheet liability

	2009 \$'000	2008 \$'000
At 1 January	1,664	2,216
Total expense as above	103	69
Contributions	(383)	(451)
Net actuarial losses/ (gains) recognised in the period	32	456
Exchange difference	175	(626)
At 31 December	1,591	1,664

18 Retirement benefit obligations (continued)

	2009	2008	2007	2006	2005
Difference between actual return and expected return on scheme assets					
Amount (\$'000s)	532	(1,595)	132	166	678
Percentage of scheme assets	8%	29%	2%	3%	17%
Experience gains/(losses) arising on scheme liabilities					
Amount (\$'000s)	(564)	1,139	424	701	(1,116)
Percentage of the present value of the scheme liabilities	(7%)	14%	5%	8%	13%
Present value of the scheme liabilities (\$'000s)	(7,504)	(6,097)	(9,376)	(9,324)	(8,594)
Fair value of the scheme assets (\$'000s)	5,913	4,433	7,160	6,195	4,871
Deficit (\$'000s)	(1,591)	(1,664)	(2,216)	(3,129)	(3,723)

Contributions expected to be paid to the plan during the annual period after the balance sheet date are \$393,000

19 Operating lease commitments – minimum lease payments

	Property 2009 \$'000	Other 2009 \$'000	Property 2008 \$'000	Other 2008 \$'000
Commitments under non-cancellable operating leases expiring				
Within one year	72	-	-	-
Later than one year and less than five years	288	-	-	-
After five years	144	-	-	-
	504	-	-	-

20 Related party transactions

The following balances relate to transactions carried out with group undertakings

	2009 \$000	2008 \$000
Revenues from subsidiaries – rig rental	8,672	9,894
Costs to subsidiaries	3,094	1,375
Amounts owed by subsidiaries	180,753	53,431
Amounts owing to subsidiaries	(251,161)	(127,709)
Amounts owing to parent company	(90,509)	(12,613)
Amounts owing by parent company	68,889	2,432

Bank loans, overdraft and guarantee facilities available to Turbo Alpha Limited and certain subsidiaries, including the Company, of \$1,615,000,000 are secured inter alia by a cross guarantee and by a security agreement covering the assets of the Company

No other significant related party transactions took place during the year

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21 Capital commitments

The company had no capital commitments at 31 December 2009

22 Principal subsidiary undertakings

Abbot Group Limited is a private company, incorporated in England and Wales and domiciled in Scotland

The Company's principal subsidiary undertakings, which are indirectly held through its 100% investment in Abbot Holdings Limited, are as follows

Principal subsidiary undertakings	Country of Incorporation	Principal activity	% of ordinary shares or equity interest held by:	
			Company %	Subsidiaries %
KCA DEUTAG Drilling Limited	Great Britain	Drilling services	-	100
KCA DEUTAG Caspian Limited	Great Britain	Drilling services	-	100
KCA DEUTAG Tiefbohrgesellschaft mbH	Germany	Drilling services	-	100
KCA DEUTAG Drilling GmbH	Germany	Drilling services	-	100
Bentec GmbH Drilling & Oilfield Systems	Germany	Design engineering, fabrication of drilling and workover rigs	-	100
Oman KCA DEUTAG Drilling Company LLC	Oman	Drilling services	-	60
KCA Deutag Drilling Ben Rinnes AS	Norway	Drilling Services	-	100
KCA DEUTAG Drilling Norge AS	Norway	Drilling services	-	100
KCA DEUTAG Offshore AS	Norway	Drilling services	-	100
KCA DEUTAG PTE Limited	Singapore	Drilling services	-	100

23 Ultimate parent undertaking

The Company is a wholly owned subsidiary undertaking of Turbo Alpha Limited. The Company's ultimate parent undertaking is Turbo Cayman Limited, which is registered in the Cayman Islands. The results of the Company are consolidated in the group headed by Turbo Cayman Limited. Copies of the financial statements of Turbo Cayman Limited are available from Minto Drive, Altens, Aberdeen, AB12 3LW, United Kingdom.